

**AGRICULTURAL CREDIT IN ASSAM WITH SPECIAL  
REFERENCE TO ASSAM GRAMIN VIKASH BANK:  
A CASE STUDY OF BARPETA DISTRICT**

A THESIS SUBMITTED TO THE UNIVERSITY OF NORTH  
BENGAL FOR THE AWARD OF DOCTOR OF PHILOSOPHY IN  
ECONOMICS IN THE FACULTY OF ARTS

SUBMITTED BY  
MALAY KALITA

UNDER THE SUPERVISION OF  
PROF. ANIL BHUIMALI

DEPARTMENT OF ECONOMICS  
UNIVERSITY OF NORTH BENGAL  
RAJA RAMMOHANPUR  
DARJEELING (W.B.)  
PIN-734013  
2019

## DECLARATION OF THE SCHOLAR

I hereby declare that the thesis entitled “**Agricultural Credit in Assam with Special Reference to Assam Gramin Vikash Bank: A Case Study of Barpeta District**” submitted by me in fulfilment of the requirement for the award of degree of Doctor of Philosophy is the outcome of my own research work carried out under the guidance and supervision of Prof. Anil Bhuimali, Department of Economics, University of North Bengal. Neither this thesis nor any part of it has been submitted before for degree or diploma in the University of North Bengal or any other universities / institutions

Date- 26-11-2019

Place-North Bengal University,  
Siliguri.



(Malay Kalita)

Research Scholar

Department of Economics,

University of North Bengal

## CERTIFICATE

I certify that Mr. Malay Kalita has prepared the thesis entitled "Agricultural Credit in Assam with Special Reference to Assam Gramin Vikash Bank: A Case Study of Barpeta District", for the award of Ph.D. degree of the University of North Bengal, under my guidance. He has carried out the work at Department of Economics, University of North Bengal.

*Anil Bhuiwali*

Prof. Anil Bhuiwali

Department of Economics

(Guide)

## Urkund Analysis Result

Analysed Document: Malay Kalita\_Economics.pdf (D58277262)  
Submitted: 11/5/2019 7:05:00 AM  
Submitted By: nbuplg@nbu.ac.in  
Significance: 2 %

### Sources included in the report:

<https://www.ukessays.com/essays/mana%251F%251F%251F%251F%251F%251Fgement/the-co-operative-movement-management-essay.php>  
[https://mpra.ub.uni-muenchen.de/11195/1/MPRA\\_paper\\_11195.pdf](https://mpra.ub.uni-muenchen.de/11195/1/MPRA_paper_11195.pdf)  
<https://studymoose.com/importance-of-agriculture-in-economy-essay>  
<https://erl.ucc.edu.gh/jspui/bitstream/123456789/2820/1/KAVI%202015.pdf>  
a131dcd-b173e-4670-9bc4-b535a47b78c7  
ce1ff497-5e55-45ea-a999-aa50847f69d3  
[https://shodhganga.inflibnet.ac.in/jspui/bitstream/10603/247803/2/11\\_chapter2.pdf](https://shodhganga.inflibnet.ac.in/jspui/bitstream/10603/247803/2/11_chapter2.pdf)  
<https://ageconsearch.umn.edu/bitstream/204557/2/03-Keynote-K.G%20karmakar.pdf>  
<https://core.ac.uk/download/pdf/144509552.pdf>  
<https://www.krishipanth.com/wp-content/uploads/2018/09/Agriculture-Finance-Cooperation.pdf>  
<https://www.ijltet.org/wp-content/uploads/2014/02/53.pdf>

### Instances where selected sources appear:

41

Anil Bhushali  
(Supervisor)

Malay Kalita  
26-11-2019

## ABSTRACT

Agriculture is one of the main sectors of an economy. This sector provides the basic needs of human beings such as food, cloths etc. Agriculture and its allied sectors have contributed to a large extent in the development of industrial sector by supplying required raw material to produce finished product. It also contributes a major part of national income of India. Majority of rural masses earn their livelihood from agricultural sector. Hence, it is an urgent need to develop this sector.

Agricultural sector in Assam is far back in terms of development due to lack of credit facilities. Most farmers in Assam are small and marginal and they are suffering from financial scarcity which is the main restrain to maintain their agricultural activities. They need adequate credit facilities to perform their agricultural activities. In order to provide banking facilities to the rural sector, large numbers of bank branches, namely, Regional Rural Bank (RRB), particularly, Assam Gramin Vikash Bank, Assam co-operative Apex Bank, State Bank of India, Union Bank, Uco Bank, Canara Bank, etc have been set up in rural areas of Assam. But still now, banking institutions are not able provide sufficient credit facilities to rural sector and sometimes illiterate farmers are not interested to take loan from financial institutions as they are to follow hard and fast rules of banks. Thus, it is seen that in Assam, farmers took loans from private money lending agencies at an exorbitant rate of interest. Hence, adequate financial institutions in rural areas must be set up to meet the increasing financial demand for agricultural operation.

The state Assam is situated in the north east region of India. Assam is basically an agrarian state and socio-economic life is rural where 89 percent of the total population belongs to the rural areas. The topographical position of Assam is such that there are plenty of natural resources and sufficient fertile land. The economic life of majority of rural people is based on agricultural sector. Agriculture and its allied sectors are their major occupations. These rural sectors are still remaining backward owing to lack of fund to invest. Hence, in order to uplift the occupation of rural masses, financial institutions should be established in remote areas of Assam and should provide available cheap credit facilities to farmers at reasonable rate of interest as they can perform their agricultural operations.

Agricultural credit is playing an important role and acts as a wheel for the development of rural sectors. In ancient time, village money lenders were the main source of credit in rural areas which were insufficient, expensive and exploitative. In the past, roles of private money lending agencies have declined. There are large numbers of financial institutions such as Assam cooperative Apex Bank, SBI, Uco Bank, Union Bank, Canara Bank, RRB, NABARD, etc. have provided credit to farmers at a cheaper rate in time for which farmers are able to invest available fund in agricultural sector.

Majority of farmers in Assam is small and marginal. They are not capable of producing sufficient amount owing to scarcity of fund to invest in agricultural sector. In this perspective, financial institutions contribute a significant role by providing loans to the rural sectors. During the time of field investigation, it is seen that there is a partial impact of agricultural credit on the socio-economic conditions of rural people. Majority of farmers are living below poverty line and their productivity is also low. Their production technique is traditional and outdated. Hence, to improve the rural sector, financial institutions should play an active role in Assam.

The Regional Rural Banks (RRBs) are playing a crucial role in the development of rural sectors by providing loans to agriculture and its allied sectors. The RRBs were established under the Regional Rural Banks Act, 1976 by the 50 percent contribution of central government, 35 percent share of the commercial Banks and 15 percent share contributed by the state government with an objective to meet the rural demand of agricultural credit. Assam Gramin Vikash Bank (AGVB) is the largest network coverage Regional Rural Banks of Assam and this bank was established by the amalgamation of four regional rural bank of Assam, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank, Subansiri Gaonlia Bank. The AGV bank has been functioning its services in 31 districts with 410 nos of branches. The Assam Gramin Vikash Bank contributes to a greater extent in the development of rural economy in Assam.

In Assam, Major portion of agriculturists are very poor and they are even unable to maintain the minimum requirements for their family. Hence, this poverty stricken group needs credit from banking institutions for performing their agricultural activities. Sometime, poor farmers are also not interested to borrow money from bank due to submission of documents and long procedure and formalities in sanctioning loan. So, they took loan from village money lenders which are exploitative and expensive. Hence, government should establish various branches of banks in every corner of the country to provide adequate supply of finance to the rural sectors. The financial institutions are also facing a large number of problems after disbursement of credit such as poor recovery of loan, heavy overdue problems and utilization of loan in unproductive way. Hence, to overcome these problems, financial institutions should monitor the activities of farmers at a time interval.

To understand the current position of agricultural credit and development of rural sector, a sample survey has been conducted by taking 270 sample households from 9 villages of three development blocks in Barpeta district as a case study area and find out that agricultural sector is very backward, neglected and traditional. This is owing to poor financial condition of farmers and financial institutions have provided loans to farmers which are not sufficient for operating their agricultural activities. Hence, government should take a positive step in this regard to develop the agricultural sector in Assam.

## PREFACE

Agricultural sector plays a predominant role in the development of an underdeveloped country and majority of its rural inhabitants highly depend on agriculture for their livelihood. Agricultural sector occupies a key position in the economy of Assam. Hence, development of agriculture and its allied sector has a great importance in order to boost up the socio-economic condition of rural people of Assam.

Assam is an agrarian state of north east region of India. Agriculture is the main occupation of maximum people in Assam. This sector still remains far back, traditional and neglected for which small and marginal farmers earn only a little income from their tiny plot of land. Their meagre incomes and small savings are not sufficient to operate the agricultural activities. Agricultural credit is an important requirement for the development of agriculture and its allied sectors.

During the time of independence, private money lending agencies were playing a crucial role in the rural areas which are most expensive and exploitative. These agencies took an exorbitant rate of interest from the poor farmers. Farmers were gradually spackled in the grip of village money lenders. Hence, to come out from the grip of private agencies, farmers need sufficient fund at a fair rate of interest at right time. Thus, adequate and timely credit is considered as an integral part of the development of agricultural sector. With the passage of time, the activities of village money lenders have reduced which is possible only owing to expanding large number of branches of various banks in rural areas. Thus, establishment of financial institutions and supply of institutional credits are pre-requisite for the development of sectors and to boost up infrastructure facilities in remote areas of Assam.

Commercial banks are most important financial institutes which provide sufficient credit to agricultural sector after nationalisation of 14 banks in 1969 and 6 banks in 1980. The branch networks of commercial banks are extended in various interior places of Assam to provide loans to rural sectors. Assam Co-operative Apex Bank is also important banking institute to supply rural credit in Assam.

The Regional Rural Banks (RRBs) were set up under the Regional Rural Banks Act, 1976 with an objective to cover all the backward places of Assam and providing loan to poor farmers, agricultural labourers, village artisans and small entrepreneurs at a fair rate of interest. Now, Assam Gramin Vikash Bank and Langpi Dehangi Rural Bank are the two Regional Rural Banks (RRBs) in Assam. The Assam Gramin Vikash Bank is the largest Regional Rural Bank of Assam which was established on 12<sup>th</sup> January, 2006 by amalgamating four Regional Rural Banks, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank, Subansiri Gaonlia Bank. These banks set up its branches in all the backward places of Assam and provide loans to poor farmers for the development of agricultural sector.

National Bank for Agriculture and Rural Development (NABARD) was established in 1982 by the Government of India for the development of rural sectors by facilitating adequate and timely credit at fair rate of interest.

Majority of small and marginal farmers are poor and illiterate. They are ignorant about the rules and regulations of banks and also find difficulties to maintain all formalities of banks for which they take loans from village money lenders at a high rate of interest. Financial institutions are also facing large number of problems in providing agricultural credit such as poor recovery, heavy overdue problems and diversion of loan amount to unproductive activities. To prevent these problems, banking institutes should observe and monitor the productive activities of farmers which may reduce the misutilisation of loan amount in unproductive activities.

In order to develop the agricultural sector, government should announce some new schemes for the poor farmers that they can purchase various equipments such as tractor, power tiller, power pump, weather, seeds, fertilizers etc. at subsidy rate. Hence, it is clear from the study that adequate and timely agricultural credit is an important instrument for the development of agricultural sector and its allied activities.

*Malay Kalita*  
(Malay Kalita)

## ACKNOWLEDGEMENT

It is my great pleasure to acknowledge the immense help, co-operation, valuable suggestions and guidance that I have received from various persons and institutions during the course of my study.

First and foremost, I would like to express my sincere gratitude and indebtedness to my supervisor Prof. Anil Bhuimali (Vice Chancellor, Raiganj University, Raiganj) Department of Economics, North Bengal University for his constructive guidance, valuable suggestions and the detailed monitoring of the study.

I extend my heartfelt thanks to all the faculty members of the Department of Economics, North Bengal University for their valuable suggestions, help and encouragement during the course of the study.

I humbly express my indebtedness to the University of North Bengal, Siliguri, for giving me all the necessary facilities in my research work.

I am extremely thankful to Dr. Mukunda Sarma, Principal, Bhawanipur Anchalik College, Bhawanipur, for his cooperation and valuable suggestions in accomplishing my research work.

My sincere thank goes to all the faculty members of the Department of Economics, Bhawanipur Anchalik college, Bhawanipur, for their cooperation and encouragement.

I am highly grateful to my senior colleague Dr. Hitesh Ch.Roy of the Department of Political Science, who helps me in the time of initiating the study and special thanks go to Dr. Samiran Sarma, Mr. Dilip Kr. Deka, Mr. Abdus Sattar Choudhury for their support and encouragement.

I extend my special thanks to my elder brothers in-law Mr. Dhiraj patgiri for his help and encouragement.

I am thankful to Dr. Robinjyoti Khataniar, Assistant Professor, B.H.College, Howly, for his help and cooperation in my research.

I am also grateful to Mr. Hitesh Medhi, Mr. Atul Ch. Roy, Hardip Choudhury, Zaidul, Nazrul, Nurjamal and all the bank officials of different branches of banks of Barpeta District for their cooperation and help to me in my field survey.

I would also like to thank Mrs. Nabanita Deka, Tapan Kakati, Goutam choudhury, Chayanika Patgiri, Surabhi Kalita, Ankur Kalita, Dimpi Kalita for their support and encouragement.

During the course of the study, I have visited several libraries for study I take this opportunity to thank the staffs of the libraries of North Bengal University, Siliguri, K.K. Handiqui Library, Gauhati University, Indian Institute of Entrepreneurship, Guwahati, Omeo Kumar Das Institute of Social Change and Development, Guwahati for their cooperation and help.

I pay my homage to my father Lt. Ningna Ram Kalita for his blessings and sacrifice for me during his life time.

I offer special thanks to my mother Mrs. Abala Kalita and mothers in-law Mrs. Nirala Patgiri for their blessings, support and encouragement. My sincere thanks go to my elder brother Mr. Kameswar kalita for his moral support in my research work.

I wish to express my love and affection to my daughter Sri Kuhelika Kalita (Kuhu) and Sri Moumita Kalita ( Mou) for their support during the course of the study.

Last but not least, I am deeply indebted to my wife Mrs. Hiramani Patgiri for her cooperation, support and encouragement in the completion of my research work.

Date- 26-11-2019

  
(Malay Kalita)

## CONTENTS

	Page No
➤ Abstract	I-II
➤ Preface	III-IV
➤ Acknowledgement	V-VI
➤ Contents	VII-XVII
➤ List of Tables	XVIII-XXI
➤ List of Figures	XXII
➤ List of Maps	XXIII
➤ List of Abbreviations	XXIV-XXVI
<b>CHAPTER-I: INTRODUCTION</b>	<b>1-17</b>
1.1: Statement of the Problem	1-6
1.2: Need and Significance of the Study	6-7
1.3: Objectives of the Study	7
1.4: Principal Research Questions	7-8
1.5: Other Research Questions	8
1.6: Hypotheses Tested	8
1.7: Area of the Study	8
1.8: Methodology	9-14
1.8.1: Sample Selection	10-12
1.8.2: Statistical Tools for Analysis	12-14
1.9: Research Gap	14-15
1.10: Chapterisation	15-16
References	17
<b>CHAPTER-II: REVIEW OF LITERATURE</b>	<b>18-40</b>
2.1: Theoretical/Development Perspectives on the	

Research Problem	18-19
2.2: Financial Need and Economic Development	19-20
2.3: Credit and development of agricultural sector	20-21
2.4: Credit Distribution	21
2.5: Credit and transaction cost	21-22
2.6: Directly Related Studies in the Literature	22-28
2.6.1: Need of credits to Agricultural Sector	22-27
2.6.2 Literature Related to Credit Delivery System	27-28
2.6.3: Literature Related to Repayment and Overdues	28
2.7: Conceptually Related Studies in the Literature	28-31
2.8: The Reports of Different Committees and Working Groups	31-33
References	34-40
<b>CHAPTER-III: A PROFILE OF THE ECONOMY OF ASSAM</b>	41-73
3.1: Geographical Situation of Assam	41-44
3.2: Demographic Structure of Assam	44-52
3.2.1: Growth of Population in Assam	45-47
3.2.2: Age Composition and Dependency Ratio	47
3.2.3: Birth Rate and Death Rate	47
3.2.4: Density of population	48
3.2.5: Sex Ratio	48
3.2.6: Literacy Rate	48
3.2.7: Rural-Urban Composition	49-51

3.2.8: Occupational Structure of Assam	51-52
3.3: Agricultural Scenario of Assam	52-60
3.3.1: Cropping Pattern in Assam	53-55
3.3.2: Index of Agriculture Production	55
3.3.3: Agricultural Yield Rate	55-56
3.3.4: Area under High Yielding Variety (H.Y.V)	57
3.3.5: Pattern of Land Utilization in Assam	57-58
3.3.6: Horticulture in Assam	58-60
3.4: Rainfall and flood in Assam	60-62
3.5: Irrigation Facilities in Assam	63-65
3.6: Financial Infrastructure in Assam	65-67
3.7: Transport and Communication in Assam	67-71
3.7.1: Road Transport in Assam	68
3.7.2: Railway Transport in Assam	69
3.7.3: Water Transport in Assam	69-70
3.7.4: Air Transport in Assam	70
3.7.5: Postal Services in Assam	71
3.7.6: Telecom Services in Assam	71
References	72-73

**CHAPTER-IV: INSTITUTIONAL AND NON INSTITUTIONAL**

<b>SOURCES OF CREDIT</b>	74-102
4.1: Introduction	74-75
4.2: Features of Agricultural Credit	75-76
4.3: Period Based Classification of Agricultural Credit	76-77
4.3.1: Short Term Credit	76
4.3.2: Medium Term Credit	76
4.3.3: Long Term Credit	77
4.4: Purpose Based Classification of Agricultural Credit	77
4.5: Other Bases of Classification of Agricultural Credit	77-78
4.5.1: Classification on the Basis of Security	77
4.5.2: Classification on the Basis of Creditors	77-78
4.5.3: Classification on the Basis of Debtor	78
4.6: Sources of Agricultural Credit in Assam	78-101
4.6.1: Institutional Sources of Agricultural Credit	79-97
4.6.1. (a) Government and agricultural credit	79-80
4.6.1. (b) The Co-operatives	80-85
4.6.1. (c) Commercial Banks	85-87
4.6.1. (d) Regional Rural Banks (RRBs)	88-89
4.6.1.(e) National Bank for Agriculture and Rural Development (NABARD)	89-93
4.6.1. (f) Financing under Kishan Credit Card Scheme	94-95

4.6.1. (g) Micro Finance	95-97
4.6.2: Non Institutional Sources of Agricultural Credit	97-101
References	102
<b>CHAPTER V: IMPACT OF AGRICULTURAL CREDIT</b>	
<b>ON THE SOCIO-ECONOMIC CONDITION</b>	
<b>OF AGRICULTURISTS IN ASSAM</b>	
	103-120
5.1: Introduction	103-104
5.2: Changes in Monthly Income of Farmers	104-106
5.3: Changes in Monthly Consumption Expenditure	106-108
5.4: Changes in Monthly Savings Capacity of Agriculturists	108-109
5.5: Changes in Landholding Position of Farmers	109-110
5.6: Changes in Household Asset Holding Position	110-112
5.7: Changes in Dwelling Houses	112-113
5.8: Changes in Sanitation System	113-114
5.9: Changes of Drinking Water Facilities	115-116
5.10: Changes in Connection of Electricity Facility of Farmers	116-117
5.11: Changes in Agricultural Inputs	117-119
References	120
<b>CHAPTER VI: AGRICULTURAL CREDIT AND ASSAM</b>	
<b>GRAMIN VIKASH BANK (AGVB)</b>	
	121-137
6.1: Introduction	121-122
6.2: Historical Development of Regional Rural Banks in Assam	122- 126
6.2.1: Pragjyotish Gaonlia Bank (PG Bank)	123-124

6.2.2: Lakhimi Gaonlia Bank (LG Bank)	124
6.2.3: Subansiri Gaonlia Bank (SG Bank)	124-125
6.2.4: Cachar Gramin Bank (CG Bank)	125-126
6.2.5: Langpi Dehangi Rural Bank (LDR Bank)	126
6.3: Assam Gramin Vikash Bank (AGV Bank)	127-136
6.3.1: Organisational Structure of Assam Gramin Vikash Bank	127-128
6.3.2: The table-6.1 shows the operating areas which are covered by Regional Offices of AGV Bank as per district	128
6.3.3: Branch Network	129 -130
6.3.4: Share Capital	130
6.3.5: Deposits Level of AGV Bank	130-131
6.3.6: Disbursement of Loans by AGV Bank	131-133
6.3.7: Loans Providing Under Kishan Credit Cards (KCC)	133-134
6.3.8: Formation of Farmers' Clubs	134
6.3.9: Self Help Groups (SHGs)	134
6.3.10: Rural Development and Self Employment Training Institute (RSETI)	134-135
6.3.11: General Credit Cards (GCC)	135
6.3.12: Problems Faced by Assam Gramin Vikash Bank in the Sample District Barpeta	135-136
References	137

**CHAPTER-VII: NECESSITIES OF AGRICULTURAL CREDIT AND**

<b>CREDIT DELIVERY SYSTEM IN ASSAM</b>	138-163
7.1: Introduction	138-139
7.2: Significance of Agricultural Credit and Development of Agricultural sector	139-141
7.3: Need for Credit in Agricultural Sector	141-150
7.3.1: Inadequate Income of Agriculturists	145-146
7.3.2: Uncertain Income	146-147
7.3.3: High Level of Cost of Production	147-148
7.3.4: Time Gap between Investment and Returns from Production Activities	148
7.3.5: No Other Sources of Funds	148-149
7.3.6: Development of Allied Activities and Mobilization of income	149
7.3.7: Commercialization and Modernization of agriculture sector	149
7.3.8: Diversion of Factors of Production and Introduction of Multiple Cropping Patterns	149
7.3.9: Irregular Production of Farm Output	150
7.3.10: Excess Demand for Agricultural Credit	150
7.3.11: Poor Financial Capacities of Non-institutional Sources of Credit	150
7.4: Agricultural Credit Delivery System in Assam	151-160
7.4.1: Agricultural Credit Delivery System through Multi Agency Approach	153-156
7.4.2: Disbursement of Agricultural Finance in Assam	156-158
7.4.3: Flow of Ground Level Credit to Agriculture and	

Allied Activities in North Eastern States	158-160
References	161-163
 <b>CHAPTER VIII: PROBLEMS OF AGRICULTURAL</b>	
 <b>CREDIT IN ASSAM</b>	
8.1: Introduction	164-165
8.2: Non Institutional Sources of Agricultural	
credit are Exploitative in Character	165-166
8.3: Lack of Agricultural Marketing Facilities in Assam Aggravates	
the Problems of Agricultural Financing	166-168
8.4: Problems of Multi-agency Approach Regarding Agricultural Finance	168-169
8.5: Indebtedness of Farmers- a big Problem	169-172
8.6: Cultivators Facing problems in the Process of Agricultural Finance	172-175
8.6.1: Need to Submit Heavy Security	172-173
8.6.2: Evil Practices Done by Officials, Brokers and	
Commission Agents	173
8.6.3: Inadequate Volume of Loan Sanction	173
8.6.4: Neglect of Poor Farmers	173-174
8.6.5: Inadequate Branches of Banks in Rural Areas	174
8.6.6: Heavy Expenditure on Formalities of Loans	174
8.6.7: Strict Rules and Regulations of Banks	174-175
8.6.8. The Credit Delivery System is a Complex and	
Long Time Procedure	175

8.6.9: Problems of Recovery	175
8.7: Problems in the Process of Agricultural Finance	176-180
8.7.1: Increasing Requirement of Loans for Operating Agricultural Sector	176
8.7.2: Lack of Schemes of Subsidy	176
8.7.3: Delay in the Submission of Necessary Documents by the Farmers	176
8.7.4: Political Pressure	176-177
8.7.5: Shortage of Staff	177
8.7.6: Lack of Investigating Staff to Observe the Proper Utilisation of Credit	177
8.7.7: Unnecessary Competition	177
8.7.8: Problems of Overdues in Agricultural Credit	177-180
8.8 Problems of Agricultural Credit in the Sample District	180-183
References	184
<b>CHAPTER- IX: CASE STUDY DATA ANALYSIS</b>	185-225
9.1. Introduction	185
9.2: Number of Family Members of Farmers	185-187
9.3: Dependency Ratio of Farmers	187-188
9.4: Educational Qualification of the Sample Farmers	188-190
9.5: Age Wise Classification of Sample Farmers	190-191
9.6: Gender Wise Classification of Sample Farmers	191-192
9.7: Marital Status of Farmers	192-193

9.8: Institutional Sources of Agricultural Credit	193-194
9.9: Non-Institutional Sources of Agricultural Credit	194-195
9.10: Financial Institutional Facilities of Farmers	196
9.11: Marketing Facilities of Farmers	197
9.12: Classification of Farmers on the Basis of Land Holding	197-199
9.13: Delay in sanctioning of Loan	199-200
9.14: Causes of Delay in Sanctioning Loan	200-201
9.15: Adequacy of Loan Amount	201-202
9.16: Services of Banking Institutions of Credit Availed	202-203
9.17: Rate of Interest of Agricultural Credit Charged by the Financial Institutions	203
9.18: Existence of Middle Man in the Process of Disbursement of Agricultural Credit	204
9.19: Payment of Bribe in the Process of Sanctioning Agricultural Credit	204-205
9.20: Indebtedness of Farmers' Family	205
9.21: Causes of Indebtedness of Farmers' Families	206-209
9.22: Visited by the Bank Staff to Encourage and to Observe the Utilizations of Credit Amount	210
9.23: Borrowing Procedure of Institutional Credit	210-212
9.24: System of Repayment of Agricultural Credit	212-213
9.25: Utilisation of Loan Amount in Proper Way	213-214
9.26: The Alternative Way of Spending the Agricultural Credit	214-215

9.27: Causes of Overdues of Agricultural Credit	215-219
9.28: Provision of Subsidy of Agricultural Credit	219-220
9.29: Requirement of Heavy Security for Agricultural Credit	220
9.30: Poor Recovery of Agricultural Credit	220-221
9.31: Problems faced by the Banks in Advancing Agricultural Credit	221-222
9.32: Inadequate Supply of Agricultural Credit	222-223
9.33: A Comparative Analysis of the status of Performance of different Banks in Assam	223-225
<b>CHAPTER X : FINDINGS AND RECOMMENDATIONS</b>	226-247
10.1: Introduction	226
10.2: Some Major Findings	226-233
10.3: Some Major Findings	233-241
10.4: Some Findings of Sample Survey of Financial Institutions	241-242
10.5: Recommendations	242-246
10.6: Conclusion	246-247
Bibliography	248-261
Index	262-263
Annexure I	264-267
Annexure II	268-270
Published Article	271-286

## LIST OF TABLES

Table No	Title of the Table	Page No
3.1	Population trend in Assam and Indi	45
3.2	District wise population in Assam, 2011	46
3.3	Literacy Rate: Assam and India	48
3.4	Rural urban composition population in Assam and India	49
3.5	District wise distribution of population in rural and urban areas of Assam	50
3.6	Trend of Growth of Agricultural sector [GSDP at constant (2o11-12) prices]	53
3.7	Change in Area under Different Crops in Assam since 1960-6	54
3.8	Index of Agricultural Production in Assam and India	55
3.9	Yield Rate of Principal Agricultural Crops in Assam	56
3.10:	Area under High Yielding Variet (Area under lakh hecta)	57
3.11:	Area, Production and Average yield of some major Horticultural Crops of Assam	59
3.12:	Month-wise Rainfall Pattern in Assam during 2015( in mm)	60
3.13:	Statistics on affect of damages caused by flood in Assa	62
3.14:	Irrigation Potential Created Through Govt. Schemes Created by Irrigation Department (in hectare)	64
3.15:	District wise net area irrigated in Assa ( Area in hectare)	65
3.16:	Growth of Scheduled Commercial Banks in Assam and India	66
3.17:	Contribution of transport and communication sectorto the State Gross Domestic Product at constant (2011-12) prices. (Figure in percentage)	67
3.18:	Road Network in Assam (in kms)	68
4.1:	Performance of Assam State Co-operative Apex Bank LTD.	82
4.2:	Performance of the ASCARD Bank	83
4.3:	Performances of Urban Co-operative Banks	84
4.4:	Growth of scheduled commercial Banks in Assam and India ( at the end of March)	86

Table No	Title of the Table	Page No
4.5:	Bank Group Wise, Number of Offices, Deposits and credit of scheduled Commercial Banks in Assam, up to March, 2016	87
4.6:	Credit-Deposit Ratio of all Scheduled Commercial Bank Assam and India (as on March )	87
4.7:	Achievements of Regional Rural Banks in Assam (Rs. In lakh)	89
4.8:	Agency Wise, Purpose Wise and Activity Wise Refinanc Disbursed by NABARD (Rs. In Lakh)	93
4.9:	Advances under Kishan Credit Card Scheme (Rs. In lakh)	94
4.10:	Self-Help Groups Financed by Banks (Rs. in lakh)	96
4.11:	SHG-Bank Linkage under SGS Y (Rs.lakh)	97
5.1:	Changes in Monthly Income of Farmers	105
5.1.a :	Test of Homogeneity of Variances	106
5.1.b :	ANOVA	106
5.2:	Changes in Monthly Consumption Expenditure of Farmers	107
5.3:	Changes in Monthly Savings Capacity of Agriculturist	108
5.4:	Changes in Landholding Position (in bigha)	110
5.5:	Changes in Household Asset Holding Position	111
5.6:	Changes in Dwelling Houses	112
5.7:	Changes in Sanitation System	114
5.8:	Changes of Drinking Water Facilities	115
5.9:	Changes in Connection of Electricity	116
5.10:	Changes in Agricultural Inputs	117
6.1:	Areas of operation of Regional Offices of AGV Bank	128
6.2:	Branch Network of AGV Bank	129
6.3:	Details of Share Capital Account, (Amount in Rs. thousand)	130
6.4:	Level of deposit (Rs. in thousands)	131
6.5:	Sector Wise Distribution of loans by AGV Bank (Rs. in thousands)	132
6.6:	Agricultural Loan Advances under KCC (Rs. in thousands)	133
7.1:	Disbursement of Institutional Credit to Agriculture. (Rs. in Crore)	154
7.2:	Share of different sources in rural credit during 2004	155

Table No	Title of the Table	Page No
7.3:	Trend of credit flow to agriculture and allied activities under annual credit plan in Assam	157
7.4:	Flow of ground level credit for agriculture and allied activities in North Eastern states during 2006-07 to 2011-12. (Rs. in crore)	159
9.1:	Number of Family Members of Farmers	186
9.2:	Number of Dependent Persons of Farmers' Families	187
9.3:	Educational Qualification of the Sample Farmers	189
9.4:	Age Wise Classifications of Sample Farmers	190
9.5:	Gender Wise Classification of Sample Farmers	191
9.6:	Marital Status of Farmers	192
9.7:	Institutional Sources of Agricultural Credit	193
9.8:	Non-Institutional Sources of Agricultural Credit	195
9.9:	Financial Facilities of Sample Farmers	196
9.10:	Marketing Facilities of Farmers	197
9.11:	Classification of Farmers	198
9.12:	Delay in Sanctioning of Loan	199
9.13:	Causes of Delay in Sanctioning Loan	200
9.14:	Adequacy of Loan Amount	201
9.15:	Services of Banking Institutions of Credit Availed	202
9.16:	Rate of Interest of Agricultural Credit charged by the Financial Institution	203
9.17:	Existence of Middleman in the Process of Disbursement of Agricultural Credit	204
9.18:	Payment of Bribe in the Process of Sanctioning Agricultural Credit	205
9.19:	Indebtedness of Farmers	205
9.20:	Causes of Indebtedness of Farmers' Families	206
9.20(a)	Descriptive Statistics	208
9.20(b)	Model Summary	209
9.20(c)	ANOVA	209

Table No	Title of the Table	Page No
9.20(d):	Coefficients	209
9.21:	Visited by the Bank staff to observe the utilization of credit amount	210
9.22:	Borrowing Procedure of Institutional Credit	211
9.23:	System of Repayment of Agricultural Credit	212
9.24 :	Utilisation of Loan Amount in Proper Way	213
9.25:	The Alternative Way of Spending the Agricultural Credit	214
9.26:	Causes of Overdues of Agricultural Credit	216
9.26(a)	Variables Entered/Removed	217
9.26(b)	Model Summary	217
9.26(c)	Coefficients	218
9.26(d)	Overdue * Low productivity Crosstabulation	218
9.26(e)	Chi-Square Tests	219
9.27:	Provision of Subsidy of Agricultural Credit	219
9.28:	Requirement of Security for Agricultural Credit	220
9.29:	Poor Recovery of Agricultural Credit	221
9.30:	Problems Faced by the Banks in Advancing Agricultural Credit	222
9.31:	Inadequate Supply of Agricultural Credit	223

## LIST OF FIGURES

Figure No	Title of the Figure	Page No
5.1:	Changes in Monthly Income of Farmers	105
5.2:	Changes in Monthly Consumption Expenditure	107
5.3:	Changes in Monthly Savings Capacity of Agriculturists	109
5.4	Changes in Household Asset Holding Position	111
55:	Changes in Dwelling House	113
5.6:	Changes in Sanitation System	114
5.7:	Changes Of Drinking Water Facilities	115
5.8:	Changes in Electricity Facility	116
5.9:	Changes in Agricultural Inputs	118
9.1:	Age Wise Classification of Sample Farmers	191
9.2:	Gender Wise Classifications of Farmers	192
9.3:	Marital Statuses of Farmers	193
9.4:	Financial Institutions and No. of Farmers	194
9.5:	Non-Institutional Sources of Agricultural Credit	195
9.6:	Delay in Sanctioning of Loan	199
9.7:	Adequacy of Loan Amount	202
9.8:	Services of Banking Institutions of Credit Aailed	203
9.9:	Causes of Indebtedness of Farmers' Familie	207
9.10:	Borrowing Procedure of Institutional Credit	211
9.11:	System of Repayment of Agricultural Credit	213
9.12:	The Alternative Way of Spending the Agricultural Credit	215

**LIST OF MAPS**

Map No	Name of the Map	Page No
Map- I	Assam	03
Map –II	Barpeta District	04
Map -III	Brahmaputra Valley	42
Map – IV	Barak Valley	43

**LIST OF ABBREVIATIONS**

ACAP:	Assam Co-operative Apex Bank
ACB:	Agricultural Credit Board
ACD:	Agricultural Credit Department
AFC:	Agricultural Finance Corporation
AGVB:	Assam Gramin Vikash Bank
AIRCRC:	All India Rural Credit Review Committee
AIRCSC:	All India Credit Survey Committee
ARC:	Agricultural Refinance Corporation
ARDC:	Agricultural Refinance and Development Corporation
ASCARD:	Assam State Co-operative Agriculture and Rural Development Bank
ASMIDC:	Assam State Minor Irrigation Development Corporation
ASTC:	Assam State Transport Corporation
BPL:	Below Poverty Line
BSNL:	Bharat Sanchar Nigam Limited
CBs:	Commercial Banks
CGB:	Cachar Gramin Bank
CRAFICARD:	Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development
CSO:	Central Statistical Organisation
DCCB:	District Central Co-operative Banks
DCP:	District Credit Plans
DRDA:	District Rural Development Agency
EEZ:	Exclusive Economic Zone
GCC:	General Credit Card

GDP:	Gross Domestic Product
GLC:	Ground Level Credit
GU:	Gauhati University
HT:	Hindustan Times
HYV:	High Yielding Variety
IIEF:	India Investment Economic Foundation
IRDP:	Integrated Rural Development Programme
KCC:	Kishan Credit Card
LDBs:	Land Development Banks
LDRB:	Langpi Dehangi Rural Bank
LGB:	Lakhimi Gaonlia Bank
LTCCS:	Long Term Co-operative Credit Structure
MEDP:	Micro Enterprise Development Programme
NABARD:	National Bank for Agriculture and Rural Development
NBU:	North Bengal University
NCA:	National Committee on Agriculture
N.E. Region:	North Eastern Region
NFR Zone:	North East Frontier Railway Zone
NIC:	National Information Centre
NNP:	Net National Product
NODC:	Non Overdue Cover
NPA:	Non Performing Assets
NREP:	National Rural Employment Programme
NSC:	National Seed Corporation
NSS:	National Sample Survey
NSSO:	National Sample Survey Organisation
PGB:	Pragjyotish Gaonlia Bank

PMJDY:	Pradhan Mantri Jan Dhan Yojana
PMRY:	Pradhan Mantri Rojgar Yojana
PWD:	Public Works Department
RBI:	Reserve Bank of India
RIDF:	Rural Infrastructure Development Fund
RLEGP:	Rural Landless Employment Guarantee Programme
RRBs:	Regional Rural Banks
RSETI:	Rural Development and Self Employment Training Institute
SC:	Schedule Caste
SGB:	Subansiri Gaonlia Bank
SGSY:	Swarnajayanti Gram Swarajgar Yojana
SHGs:	Self Help Groups
STCCS:	Short Term Co-operative Credit Structure
ST:	Schedule Tribes
TRYSEM:	Training of Rural Youth for Self Employment
UBKGB:	Uttar Banga Kshetriya Gramin Bank
UCBs:	Urban Co-operative Banks
VCR:	Vaidayanathan Committee Report

## **CHAPTER-I**

### **Introduction**

#### **1.1: Statement of the Problem**

Agriculture is the key sector of an economy as well as the main pillar of human civilisation. This sector provides the basic needs of human existence such as food, shelter and cloth. It is the basis of development of all the sectors of an economy. In the history of socio-economic development of the present developed countries of the world, agriculture may be a significant contributor and hence, its role in the economic development of less developed countries is also of vital importance. Agricultural sector has helped to a greater extent in the process of industrialisation in developed countries. The various problems of under- developed and developing countries can be solved only by developing the agricultural sector. Hence, it requires scientific and detailed study of various aspects of the agriculture sector especially in developing countries like-India.<sup>1</sup> Assam (MAP-I) is predominantly an agricultural state and socio- economic life of Assam is basically rural in character where 89 percent of the total population lives in rural areas and about 70 percent of the total population in Assam get their means of livelihood from agricultural sector (As per 2001 census). Therefore, to improve the economic condition of the rural people of Assam, the agriculture sector must be developed.<sup>2</sup>

Agricultural sector, in Assam, is very backward and faces a large number of problems. Among all the problems, lack of finance is the main problem of agricultural backwardness in Assam. There is an urgent need of finance for short, medium, and long terms to heighten the agricultural sector. Farmers need credit to pay current expenses on cultivation, such as, purchase of seeds, manures, cattle, implements etc, to improve land by irrigation, drainage, weeding and planting, to pay up old debts, to build and repair houses, to purchase food stuffs and personal necessities, to pay land revenue to government and so on. Thus, almost all types of credit are needed by the farmers at different stages of farming of which some are directly productive and some are indirectly productive.

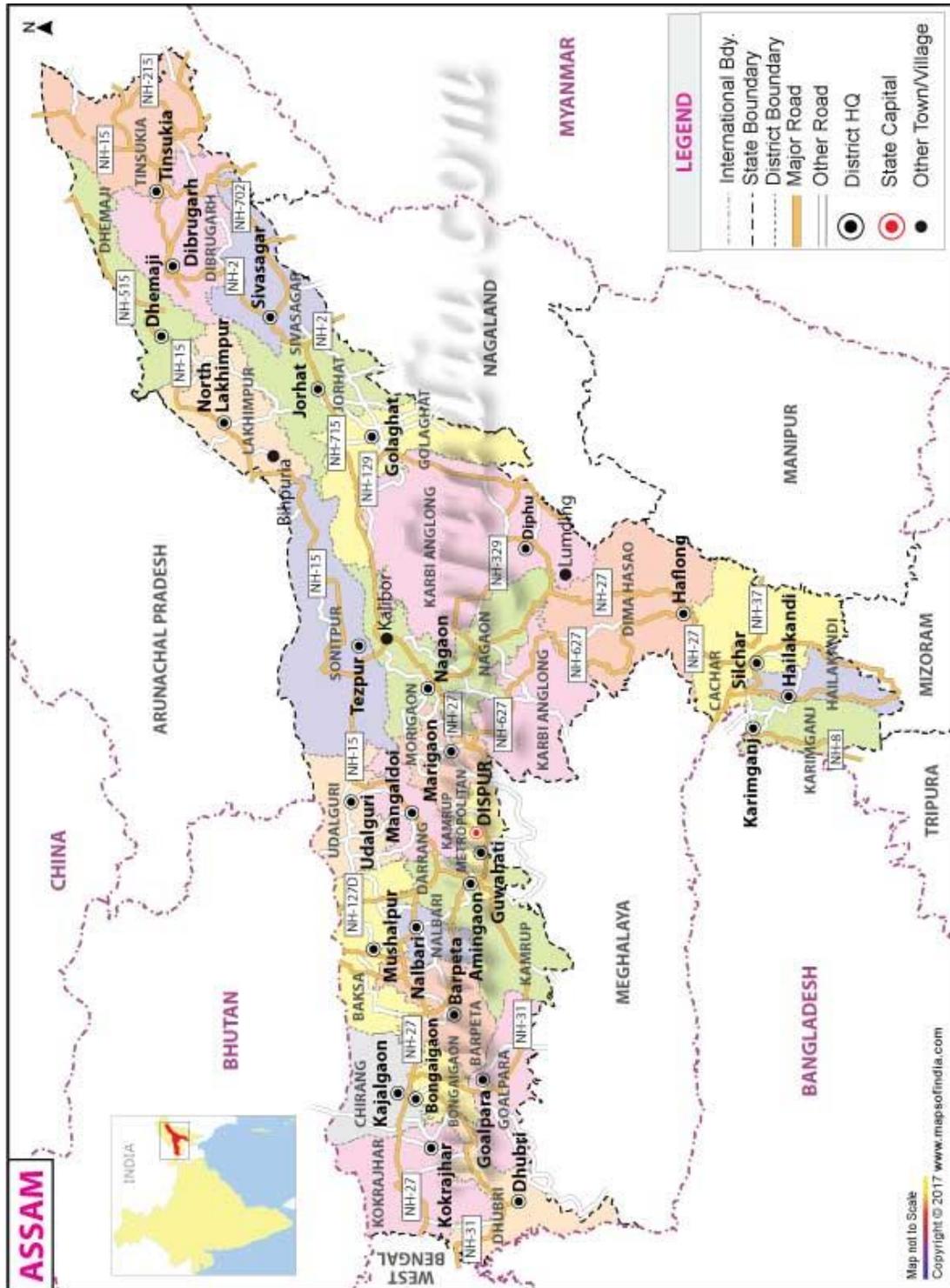
N.K.Sarm and S. Sarma said, “The agriculture sector of our economy contributes the largest share to the national income of India. At 1970-71 prices, the agriculture sector contributed to the domestic product about 44 percent in 2004-05. Next to it was manufacturing but may behind it which contributes 22 percent. Transport and communications with a meager share at 17 percent was much lower in the total range, the fourth position was that of public administration and defence and other services with contribution at 10 percent and fifth, at bottom was banking, insurance, etc, generating a little-6 percent. With a substantial portion of domestic product originating in agriculture, it was obvious that the major country’s activity is located in this important sector.

Agriculture dominates our country’s economy to such a large extent that 72.1 percent of working population of India is dependent on it. Thus, out of the total workers of 18 crores, more than 13 crores are occupied as cultivators, agriculture and are working in activities connected with livestock, forestry, fishing etc. Other opening of employment such as in the industrial and service sectors contribute very small number of jobs outside agriculture is indirectly dependent on agriculture production as much of the activities in respect of trade, transport, banking etc, take place in respect of agricultural goods. In fact, agriculture has been the major source of livelihood for majority of the labour force in India”.<sup>3</sup>

Agriculture plays a very important role in the development of rural economy of India. It is the main root of Indian economy so as to occupy an important place in our economy. About two thirds of the total labour force earns their livelihood from this sector. The importance of agricultural sector in the national economy cannot be ignored.<sup>4</sup>

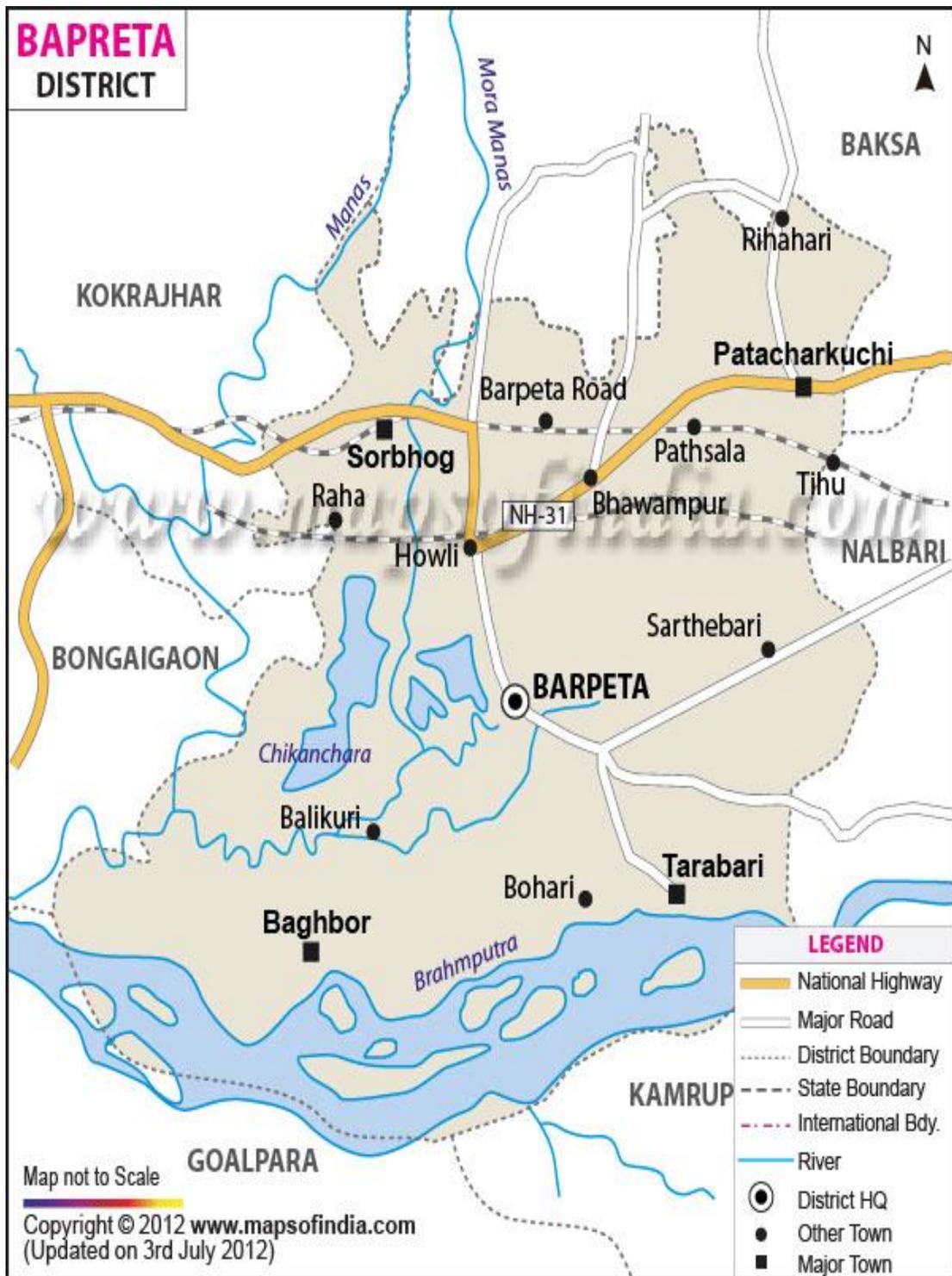
According to R. Kumar, “Agriculture development has many faces viz-technical, organization, institutional, financial, demographic, sociological and capital formati on. But the poor and weak financial face is the root of the problem in agriculture development of any developing country like India”.<sup>5</sup>

MAP-I



Source: Google map.

MAP-II



Source: Google map.

Agriculture is the main sector of Indian economy as well as it occupies a significant place in the national economy of India. Though the share of agricultural sector in the national income of India has been decreasing gradually, yet, agricultural sector contributes a major part in the national economy. According to the Central Statistical Organization, the share of agriculture in GDP was 55 percent in 1950-51 and it was declining to 13.9 percent in 2013-14 as a result of rapid growth of industrial and service sector. The development position and backwardness of an economy can be understood from the proportion of people engaged in agriculture sector. In an underdeveloped or developing country, the proportion of people employed in agriculture sector is quite high. But it is only 2 or 3 per cent in UK and USA, 6 percent in Australia, 7 percent in France, 35 percent in Egypt, 50 percent in Indonesia and 68 percent in China. A major part of working force is engaged in Agriculture and allied activities in India. It is clear from the census report of India that agricultural sector provided job opportunities to 98 million people in 1951 and it was increased to 263 million in 2011. But the proportion of working population engaged in agriculture sector had been declined from 70 to 54.6 percent between 1951-2011. Agriculture sector contributes in the process of development in the industrial sector by way of providing raw materials to agro-based industries such as cotton and jute textile industries, sugar, flour mills, and vanaspati and tea industry. There are also some small scale and cottage industries such as weaving, oil crashing and rice husking etc which are indirectly dependent on agriculture. The improvement of agriculture sector is an essential element of economic development and it is possible only through proper investment in this sector. Rural transport system and market conditions have been developed with the development of agriculture sector and play an important role in case of international trade of agricultural product. Rural poverty can be alleviated only by the development of agriculture sector. Hence, agriculture is the backbone of rural economy of india.<sup>6</sup>

U. Kunwar said, "Finance is one of the most important constraints in the growth of agriculture. Credit is an essential and important input for development and production. Agriculture like any other industry also needs capital investment for development, for realizing higher production. Agriculture being the most important occupation of the majority of our people, investment in it assumes more important in our country."<sup>7</sup>

In Assam, farmers are facing very difficult situation owing to lack of adequate financial facilities from various sources of credit. In order to supplement the required financial help for the agricultural sector, certain financial institutions have been nationalised in India in post independent era. The flow of credit to this sector from the commercial banks was very negligible before nationalization of 14 major banks and the credit support from co-operative institutions to the peasant was also minimum, Therefore, it is obvious that private money lending is the main source of credit for the farmers in Assam and because of that the farmers cannot take adequate amount of credit as they are not in a position to pay an exorbitant rate of interest. Sometime, the private agencies are also not able to provide sufficient loans to rural farmers. But the farmers need adequate amount of short term, medium term and long term credits for improving agricultural sector. With the adoption of new agricultural strategy and the growing momentum of “Green revolution”, the agriculturists cannot be expected to meet the entire financial requirements in rural areas. Hence, the financial institutions in rural areas must be set up to meet the increasing financial requirements for agricultural operation. Efforts are, hence, being made to analyze the institutional agencies for rural credit in this backward state and to tide over the problems of institutional agricultural credit.

## **1.2: Need and Significance of the Study**

In view of the urgent need for solving the problems of institutional credit, this subject has been taken to study and find out the causes responsible for not getting the required amount of finance in time to improve agriculture in rural areas of Assam. The present study examines and evaluates the problems of agricultural credit in Assam and tries to suggest ways and means to resolve the issue. The study has also been made to investigate the dimensions of the problem of agricultural credit in Assam. System of financing agricultural sector, the system of monitoring the end use of credit, the impact of loan to the agriculturists, the system of loan recovery and recycling of funds have also been analysed in the study.

For micro level study of the problem, a case study has been made to particular reference to Barpeta district (MAP-II). As per the population census 2011, the total population of the district stands at 1693622 of which 1546269 are rural population

i.e.91.30 percent live in rural areas which is 86 percent in Assam at an average level and more than 75 percent of the total population of the district is dependent on agriculture and allied activities. The total literacy rate in the district is 63.81 percent with male literacy rate 69.29 percent and female literacy rate 58.06 percent which is lower than the state's level 72.19 percent with male 77.85 percent and female rate 66.27 percent(as per census report 2011, statistical hand book of Assam 2016). The family, below poverty line (BPL) in the Barpeta district, is estimated at 12, 02000(Directorate of Food and Civil supplies, Assam, 2011). The socio- economic condition of the people of the district is very pathetic. A clear picture of the financial problems and the remedial measures to be taken to solve the problem has been found from the case study.<sup>8</sup>

### **1.3: Objectives of the Study**

The proposed study is based on the following objectives

1. To study the various institutional and non institutional sources of agricultural credit in Assam.
2. To find out the system of credit provided to agriculturists by institutional and non institutional sources.
3. To analyse the role of credit for the improvement of agricultural sector in Assam with special reference to Barpeta district.
4. To identify the various constraints of the present agricultural credit facilities in Assam.
5. To find out the various causes of indebtedness of farmers and the various problems associated in case of recoveries of loan.
6. To study the impact of agricultural credit in socio-economic condition of farmers in the study area.

### **1.4: Principal Research Questions**

Following are the principal research questions of the study-

1. What are the sources of agricultural credit?
2. What are the major hindrances of agricultural credit?
3. What is the performance of Assam Gramin Vikash Bank to fulfill the requirement of credit in time?

4. What are the impacts of agricultural credit on the socio-economic condition of agriculturists?

### **1.5: Other Research Questions**

1. What are the main purposes that farmers need to take credit?
2. What are the main causes of indebtedness of agriculturists?
3. What are the main reasons for unproductive utilization of credit?
4. What are the causes of overdues in agricultural credit?
5. What is the experience of borrowers in taking loan from banking institutions?
6. Can illiterate and poor farmers easily reach the institutional credit facilities?

### **1.6: Hypotheses Tested**

The hypotheses tested in the study are provisionally determined on the basis of the present and past pictures of the problem regarding agricultural credit. The tentative hypotheses to be tested are as follows –

1. The amount of credit flows to the agriculturist is not sufficient to maintain the required activities.
2. Majority of farmers have misutilised the credit in unproductive purposes.
3. The supply of institutional credit to the farmers is complicated and made delay in providing loan.
4. Poverty leads to indebtedness of farmers.
5. Low productivity is one of the main reasons for overdues of credit..
6. There is not any significant impact of credit in the improvement of
7. Socio-economic condition of farmers.

### **1.7: Area of the Study**

The state Assam is studied for the whole research work and for the field survey area the Barpeta district of Assam is taken to fulfill the objectives of the research study.

## 1.8: Methodology

The present study is based on both primary and secondary data. The secondary data which are collected from various sources and have been studied are given below-

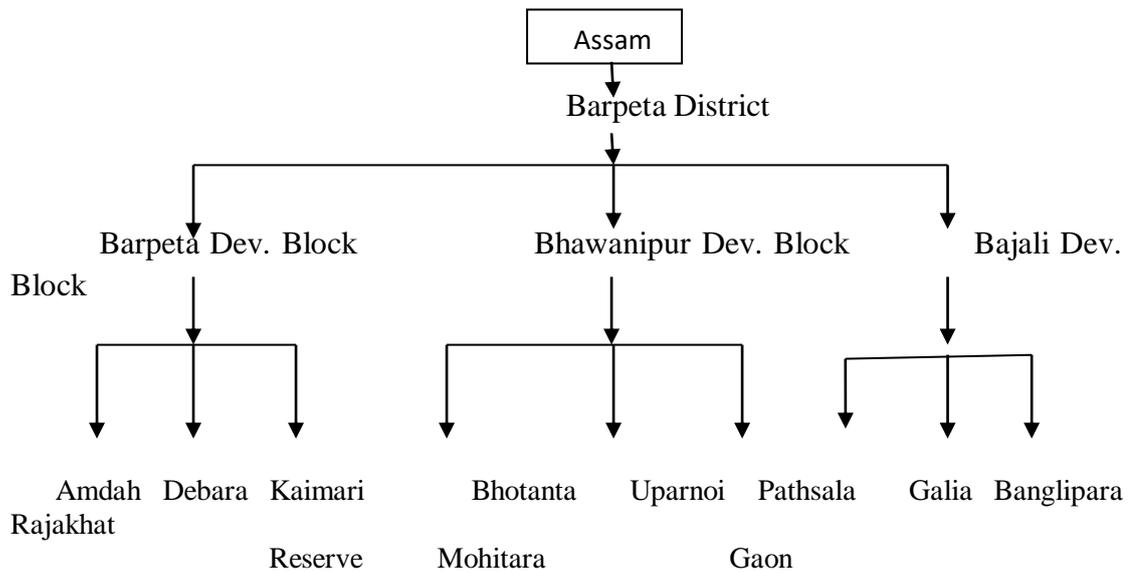
- i. Various publications of the state Govt. of Assam.
- ii. Directorate of statistics and economics Govt. of Assam.
- iii. Various issues of economic survey, Govt of Assam.
- iv. Various issues of statistical hand book, Govt. of Assam.
- v. The Krishna Kanta Handiqui library of Gauhati University.
- vi. Omio Kumar das (OKD) library of research institute, Guwahati.
- vii. Various publications of financial institutions.
- viii. Central library. North Bengal University.
- ix. Various books, journals, reports, periodicals, bulletin, thesis, websites, internet, news paper etc.

The above mentioned sources have been used to collect required secondary data.

Apart from the secondary data, to collect primary data from sampling unit, a sample survey has been made and for this purpose a suitable questionnaire is prepared with a view to collect both quantitative and qualitative information from the sample district Barpeta. The field survey is conducted by selecting 270 sampling units (Agriculturist family) from three blocks( from each Block 3 villages and from each villages 30 respondent households have been selected on the basis of stratified and purposive sampling method ) of the district Barpeta. In order to obtain representative information both purposive and stratified samplings have been used.

The data collected from both primary and secondary sources have been arranged systematically and have been tabulated. The tabulated data has been presented in different shapes like pie diagrams, bar diagrams, graphs etc.

### Flow Chart of the Study Areas



#### 1.8.1: Sample Selection

In consultation with the supervisor, the researcher has selected Barpeta district as sample study area. The Barpeta district is a backward district of Assam consisting of two subdivisions-Barpeta and Bajali. There are 3, 37,929 No. of households in the district. (3, 06,434 No. of households are in rural areas and 31,495 No. of households in urban areas.). Barpeta district has been purposively selected because of representative character for the economy of the state. There are 11 community development Blocks, 129 Gaon panchayats, 11 Anchalik panchayat and 1 Zila parishad.<sup>9</sup> On the basis of personal judgment, the blocks are divided into two stratum as the semi urban and rural areas.

##### Stratum-I

Blocks within semi urban areas.

- a) Barpeta (Barpeta)
- b) Gobardhana (Barpeta Road)
- c) Chakchaka (Sarbhog)

##### Stratum-II

Blocks within rural areas.

- a) Bajali (Choukhuti)
- b) Bhawanipur (Howly)
- c) Paka Betbari (Kayakuchi)
- d) Sarukhetri (Lachima)

- e) Rupshi (Kalgachiya)
- f) Mandia (Mandia)
- g) Gomafulbari (Gomafulbari)
- h) Chenga (Chenga)

(Location of blocks are indicated in brackets)

The Barpeta district has mainly three categories of rural inhabitants which are normally divided into category-I includes Brahmin, Kalita, Keot, Koch, Hira, Kaibarta etc, category-II includes Tribal (Bodo) and category-III includes Immigrant Muslims or Bengali Muslims. Considering the standard of living and other aspects of these three clusters of rural people from stratum-I Barpeta block and from stratum-II Bajali block and Bhawanipur block have been selected for sample survey as the large number of population are engaged in agriculture and other allied activities. For sample survey, from Barpeta block three villages are selected-

- i) Amdah- under Uttar Paka Gaon panchayat where 90 percent population are from category-I (Brahmin, Kalita, Keot, Koch, Hira, Kaibarta etc).
- ii) Debara- under Uttar Pub Paka Gaon panchayat where maximum people are from category-II (Bodo community).
- iii) Kaimari Reserve –under Uttar Pub Paka Gaon panchayat where 100 percent population are from category-III (Immigrant Muslims).

From Bajali block, the following three villages are selected-

- i) Bhotanta Mohitara—under Saderi Gaon Panchayat where 100 percent population are from category-I (Brahmin, Kalita, Keot, Koch, Hira, Kaibarta etc).
- ii) Uparnoi- under Dubi Gao Panchayat where 70 percent population are from category-II (Tribal or Bodo community)
- iii) Pathsala Gaon- under Dumuria Gaon Panchayat where 70 percent population are from category-III (Immigrant Muslims).

From Bhawanipur Block, the following three villages are selected-

i) Galia- under Galia Gaon Panchayat where 100 percent people are from category-I (Brahmin, Kalita, Keot, Koch, Hira, Kaibarta etc).

ii) Banglipara- under Kalbari Gaon Panchayat where two third of the total population are from category-II (Bodo community).

iii) Rajakhat- under Datirbori Gaon Panchayat where 95 percent population are from category-III (Immigrant Muslims).

These villages are selected because agriculture is the main occupation of villagers of these poverty stricken villages. For investigation, 30 agriculturist families from each village

(30+30+30+30+30+30+30+30+30=270) have been selected on the basis of purposive sampling.

### 1.8.2: Statistical Tools for Analysis

After collection of data, some relevant statistical tools have been used for summarization and tabulation of information. The researcher used simple statistical method such as arithmetic mean, median for averages, ratio, percentages, and regression etc. Chai-square tests and the ANOVA technique have been used to test the hypothesis. We have used calculator for simple calculation of data and through computer, data has been analysis to find out findings and to reach conclusion of the study. Some of the relevant methods used are:

#### i) Arithmetic Mean

Arithmetic Mean has been used to find out average values from a number of values or used to represent the groups of values of credit or other related components in a single value under this research. The arithmetic mean has been calculated by applying the following formula:

$$\bar{X} = \frac{\sum X}{N}$$

Here,

$\bar{X}$  = Arithmetic Mean

$\sum X$  = Total values of X items.

N = Number of observations.

## ii) Regression Analysis

Regression analysis is a statistical device with the help of which we are in a position to estimate or predict the unknown values of one variable from the known values of another variable. There are two types of variable in a regression equation viz. independent variable and dependent variable. The variable which is used to predict is known as independent variable and the variable which are trying to predict is called dependent variable. Similarly, we get two lines of regression which are essential in predicting the variables. Generally, the two lines of regression are given by  $y = a + bx$  and  $x = a + by$ . Both of these regression lines have equal importance in statistical analysis.

Regression analysis is widely used in economic research. In economics, it is the basic technique for measuring or estimating the relationship among economic variables. In the present research work this technique has been widely used for the analysis of data collected from primary sources.

## iii) Chai-square ( $\chi^2$ ) test

Chai-square ( $\chi^2$ ) test is a statistical interference which is used to find out the appropriate significance of some particular given data or to know whether, tow or more than two attributes are associated or not. This test has been used to understand the differences among the different categories of data. In this analysis, the following formula is applied

$$\chi^2 = \sum [ (O - E)^2 / E ]$$

Where,

$\chi$  = Chai-square Value

O = Observed Frequencies

E = Expected or Theoretical Frequencies

To find out the value of  $\chi^2$ , the computed value of  $\chi^2$  need to compared with the table value of  $\chi^2$  for a degree of freedom, at 5 percent level of significance. The following formula is used to find out the degree of freedom

$$Y(\text{nu}) = (r-1)(c-1)$$

Where,

Y (nu) = Degree of Freedom

r= Rows

c= Columns

If calculated value is less than the table value, at 5 percent level of significance, then, it is assumed as not significant and if the calculated value of  $\chi^2$  is greater than the table value, then, it is assumed as significant.

## 1.9: Research Gap

Research works and investigation on agricultural sector are limited in number. Though some research works have already been done in the specific field and many books and journals have been published in Indian perspective. But in Assam, the study is very few and in Barpeta district, there is no research works on agricultural credit including all sources of credit. Barpeta district is situated in the Brahmaputra Valley of lower Assam where 91.1% people live in rural areas and 75percent are directly dependent on agricultural sector and allied activities. The district is very backward and maximum people are under poverty line. Hence, keeping an eye on the poor economic conditions of farmers and backward agricultural sector due to lack of credit facilities, the researcher has tried to solve and find out proper solution of the problems through the research work.

From the above review of various literatures, it is found that most of the studies have covered limited area and some research gap is also found there. Most of the researchers have included one or two financial institution and they have not at all discussed the unorganised village money lender in their study. Some have discussed one side, either demand side (borrower class) or supply side (lender side). Some studies have only theoretical value having no any practical value.

The present study has tried to reduce research gap by including both supply side (lender) and demand side (borrower class) and has discussed both institutional and non-institutional sources of agricultural credit. The study is also based on both theoretical and practical approach and has covered all banking institutions, though a

special importance is given to Assam Gramin Vikash Bank as a largest Regional Rural Bank of Assam.

### **1.10: Chapterisation**

The study has been divided into following chapters-

#### **Chapter-I: Introduction**

In this chapter, analysis is done on the statement of the problem. The chapter also includes objective of the study, hypotheses, methodology of the study, area of the study, importance and relevance of the study and a brief format of the study.

#### **Chapter-II: Review of Literature**

This chapter includes review of related literature.

#### **Chapter-III: A Profile of the Economy of Assam**

This chapter analyses the geographical, demographical, agricultural scenario and socio- economic structure of Assam.

#### **Chapter-IV: Institutional and non Institutional Sources of Agricultural Credit**

This chapter explains the various institutions associated with agricultural finance and non institutional sources of agricultural credit.

#### **Chapter-V: Impact of Agricultural Credit on the Socio-Economic Conditions of Agriculturists in Assam**

This chapter analyses the impact of agricultural credit on income, employment and standard of living of farmers in Assam

#### **Chapter-VI: Agricultural Credit and Assam Gramin Vikash Bank (AGVB)**

This chapter incorporates various activities of Assam Gramin Vikash Bank regarding agricultural credit facilities to farmers.

#### **Chapter-VII: Necessities of Agricultural Credit and Credit Delivery System in Assam**

This chapter contains the need of credit to agricultural sector and various credit delivery systems in Assam.

#### **Chapter-VIII: Some Problems of Agricultural Credit in Assam**

Some problems associated with agricultural credit in Assam have been discussed in this system.

**Chapter-IX: Case Study Data Analysis**

This chapter contains an analysis of the field data collected through various methods.

**Chapter-X: Findings and Recommendations: -**

The last chapter draws the conclusion covering the summary of findings and suggestive measures of the study.

## References

1. Barman, D., Problems of Agricultural Financing in Assam-A Case Study of Nalbari District, Gauhati University, Thesis, Unpublished, 2008, pp.1-5.
2. Dhar, P.K., The Economy of Assam ( including Economy of North East India), Kalyani publishers,2008, pp.120.
3. Sarma, N. K. and Sarma, S., Role of Agriculture in Indian Economy, RBSA Publishers, Jaipur, 003, 2007, pp.01-02.
4. Agarwal, H.S.,Simple Indian Economics,Lakshmi Narain Agarwal, Agra, 002, 1985, pp.114.
5. Kumar, R., Role of Financial Institutions in Agricultural Development in India, Sarup and Sons, New Delhi,02, 1993, pp.24
6. Datt, G. & Mahajan, A, Datt & Sundharam's Indian Economy, S. Chand & Company PVT. LTD, New Delhi-110055, pp. 532-534.
7. Kunwar, U., Banking and Agricultural Growth, Deep and Deep Publications, New Delhi, 027, 1987 pp.19
8. Economic Survey, Assam, 2013-14, Directorate of Economics and Statistics, Assam Planning and Development Department, Govt. of Assam.
- 9) Statistical Hand Book, Assam, 2016, Directorate of economics and Statistics, Assam.

## **CHAPTER-II**

### **Review of Literature**

The review of literature in any scientific research is essential to know about the direction and the nature of different researches made on different views of the problem under investigation. Thus, the various informations collected from various reviews act as an indicator like research guide in the present research work. The review of related literature is considered as indispensable part of research to examine the relevance of the present study and to discover the research gap. From previous research works, different individual researchers have made studies in connection with agricultural finance and have recommended for the development of agricultural credit system among which the following thinkings are considered notable:

#### **2.1: Theoretical/Development Perspectives on the Research Problem**

##### **Capital Formation**

Capital formation is considered one of the major factors of economic development. Productivity of agricultural sector to sufficient level is possible only through the accumulation of capital. According to classical economists, capital plays an important role in economic development. They mention that profit is an incentive of investment and larger profit induces to capital formation.

Smith (1904)<sup>1</sup> gave more importance on capital to increase labour productivity and power of labourers.

According to Keynes (1936)<sup>2</sup> investments is the outcome of marginal efficiency of capital. Keynes gave importance on the rate of investment as one of the main factors of economic growth and development

R. Nurkse (1953)<sup>3</sup> said, “society does not apply the whole of its current productive activity to the needs and desires of immediate consumption, but directs a part of it to the making of capital goods: tools and instruments, machines and transport facilities, plant and equipment- all the various forms of real capital that can so greatly increase the efficacy of productive effort. The term is sometimes used to cover human as well

as material capital; it can be made to include investment in skills, education and health—a very important form of investment”.

Baran (1958)<sup>4</sup> does not agree with foreign investment for capital formation and economic development because foreign investors may exploit the natural resources.

Georgescu Roegen (1960)<sup>5</sup> discussed underdeveloped economies on the ground of scarcity of capital and advocates two alternative strategies for economic growth, viz, foreign investment and workers must work without rest for long period of time.

Marxian writing (1975)<sup>6</sup> gave importance on longer working days of entrepreneurs to create surplus labour for capital formation.

McKinnon (1971)<sup>7</sup> observes about the requirement of domestic capital for rapid economic development and sufficient finance is essential for real growth in developing countries.

## **2.2: Financial Need and Economic Development**

Hymer and Resnik (1969)<sup>8</sup> discussed thoroughly the various sources of development in an agrarian economy and to finance development activities, domestic surplus and expansion of non agricultural activities must be accelerated, They thought that through exchange of goods, innovation and change in technology, net value of domestic goods can be increased and by starting international trade of domestic goods, a surplus fund can be generated.

Vicente Galbis (1977)<sup>9</sup> shows that in a fragmented economy, it is possible to shift resources from traditional low productive areas to modern productive areas through the intermediation of sound financial institutions which may again result in rapid economic development.

Patrick (1983)<sup>10</sup> thought that in developing countries maximum people make their savings unproductively and these savings can be mobilized in productive field only through the intervention of financial institutions which increases public confidence on financial system and helps in promoting economic development.

Padmanabhan (1988)<sup>11</sup> explains the intermediary function of financial institutions that resources of a country can be transferred from one section of people to another through saving and lending activities of financial institutions.

Kusum (1993)<sup>12</sup> explains that expansion of banking branches and sound financial intermediation can reduce regional income disparities and increase saving, investment, productivity of capital and gross domestic income.

R. P. Christen (2010)<sup>13</sup> has conducted a study on “Banking Services for the Poor: managing for Financial Success.” The study reveals that micro finance plays a significant role in the development of rural sector in comparison with other banking institution in the present context.

### **2.3: Credit and development of agricultural sector**

Belshaw (1931)<sup>14</sup> observes that agricultural credit plays an important role in development of agricultural sector Thus, credit should be available at cheaper rate of interest and development oriented.

Schultz(1964)<sup>15</sup> has noted that poor farmers need to use sufficient credit facilities and apply modern techniques of production in agricultural sector and for that reason modification of financial institution is required in proper way.

Rajagopalan (1968)<sup>16</sup> has made an attempt that improvement of agricultural sector is an essential condition for overall economic development and to reach this objective, sufficient capital should be supplied to agriculturists.

Lewis (1970)<sup>17</sup> explored that farmers need to invest sufficient capital to improve and raise the productivity of agricultural sector. Hence, credit is an important factor for agricultural development.

V. Tyagi (2010)<sup>18</sup> has conducted a study on “Role of Regional Rural Banks in Indian Economy and Rural Development.” The researcher examined that RRBs play a significant role in mobilizing resources and provided loans specially to small and marginal farmers, agricultural labourers and rural artisans. RRBs performed a tremendous result in case of expanding agricultural credit. It was Rs-12,404 crores in

2004-05 and Rs-15,223 crores in 2005-06. RRBs have achieved the target of agricultural credit in two years. RRBs were able to finance 18.58 lakh new farmers in 2004-05 and another 17.03 lakh new farmers in 2005-06. The study is limited only in case of RRBs and has ignored other financial institutions.

#### **2.4: Credit Distribution**

Lele (1974)<sup>19</sup> explained that marginal farmers are at far distance from borrowing institutional credit because credit policies are linked with land holding.

Griffin (1976)<sup>20</sup> criticized government policies on the ground that government policies regarding credit are in favour of politically strong groups. To him, institutional credit policies are prepared for landlord.

C. Sing, A. Ananth and C. L. Dadhich (2017)<sup>21</sup> have conducted a study on “Credit as a Contributor to Doubling of Farmers’ Income.” The study observed that agriculture is the main sector of generating income and create maximum employment opportunities for the rural people. Thus, it is essential to increase income of farmers for transforming and improving agriculture sector. Credit plays an important role in this regard. But land owners are enjoying the benefits from various Government Schemes including credit flows at subsidied rate and tenants to cultivate land borrowed from unorganized sources at higher rate of interest, As a result, cost of production of crops increases at an alarming rate. The study fails to analyse all the issues related to agricultural credit.

#### **2.5: Credit and transaction cost**

Schultz (1964)<sup>22</sup> observed that there is no cheap credit. From the experience of many farmers, he noted that there is high transaction cost of getting credit from formal sector though low rate of interest prevails. On the other hand, high rate of interest in the informal sector but low transaction cost, yet the farmers are not able to get cheap credit.

Padmanabhan (1988)<sup>23</sup> examined that there is inverse relationship between confidence and transaction cost. There is high transaction cost where there is no confidence

between lender and borrower owing to lack of information. Proper information increases confidence between borrowers and lenders and reduces transaction cost.

Yotopoulos and Sagrenio (1992)<sup>24</sup> explained the economic reasons for transaction cost in developing countries. The credit market fragmentation and economic rent are the byproduct of low level of wealth and pattern of distribution.

## **2.6: Directly Related Studies in the Literature**

### **2.6.1: Need of credits to Agricultural Sector**

B. R. Deka (1984)<sup>25</sup> has conducted a study on “Agricultural Credit in Assam-A Study of Institutional Sources from 1951-74.” He included in his study about the role and trend of finance by commercial Banks and Cooperative Banks and found out that cooperative Banks are playing very crucial role than commercial Banks in the field of agricultural credit. He also discussed the credit utilisation system by the marginal farmers. In this study, the researcher completely excluded the non institutional sources of credit in the rural areas.

R. K. Panda (1985)<sup>26</sup> in his book “Agricultural indebtedness and institutional finance” discussed the position of indebtedness in irrigated and non-irrigated areas of Orissa by taking 202 samples of co-operative banks and commercial banks for the purpose of the study. In this study, Panda did not include all the financial institutions and village money lenders. But the present research study has focussed on those areas.

J.P.Singh, M.L. Chakravarty and H.N. Atibudhi (1988)<sup>27</sup> discussed the need of institutional credit for the development of rural economy. The study has undertaken various multi agencies for supplying rural credit as encouraged by the Reserve Bank of India in taking different rural credit policies. The RRBs along with commercial banks play an important role in the rural credit system. The RRBs provide credit to farmers, rural artisans and agricultural labourers. The study has not included all the sources of rural credit.

Ranjit Tamuli (1989)<sup>28</sup> made an attempt to discuss the role of institutional finance in rural development. But the scope of the study was limited as he studied only one Regional Rural Bank (Subansiri Gaonlia Bank) and one district (Kamrup district of Assam) to analyse the problems and prospects of agricultural credit.

C.S. Rayudu (1991)<sup>29</sup> made an attempt to study the rural credit in India with special reference to Andhra Pradesh. In this study, he discussed the co-operative movement of Andhra Pradesh and its activities for rural development. He also talked about the role of Land development bank by lending credit to rural societies.

S.S.M Desai (1993)<sup>30</sup> in his book “Agriculture and Rural banking in India” made an attempt to analyse the agricultural credit supplied by different banking institutions in rural areas. He critically assessed the role played by various organized and unorganized banking and financial institutions in rural areas of India.

Veerashankarappa (1997)<sup>31</sup> conducted a study on financial institution and its contributions in the field of development of all the sectors of the rural economy. Agricultural sector cannot be improved without sufficient finance. So sufficient credit facilities is an essential pre-requisite for the development of agricultural sector. Financial institutions are the major sources of credit. In this study, he tried to analyse and review the credit delivery system in India and specially in the Hassan district of Karnataka. The study attempted to study about the utilisation of credit and its impact on the rural economy. It also included the various causes of overdues and concept of default but no any non institutional sources were brought to the study.

Sheetal Kapoor (2002)<sup>32</sup> conducted a study about the structure and culture of Indian families and analysed the decision taken to purchase durable assets which is generally taken by husband, wife and their children. The banks and other financial institutions have played an important role in purchasing durable assets and rural development activities.

Naqi Uddin (2003)<sup>33</sup>endeavoured to highlight the working and performance of regional rural bank in the development of rural economy in the newly formed state Uttarakhand. He also made a brief study on the socio economic profile of the state which was limited only to the scope of RRBs and the remaining sources of credit were excluded from the study area.

B. T. Barman (2003)<sup>34</sup> studied regarding institutional sources of rural credit in Assam particularly Rangia Sub-Division. She listed all the financing institutions in the field of agriculture and allied activities. In the study, she gave more importance on RRBs and found out that RRBs are the highest providers of credit for the development of

agriculture sector. The study had limited scope only in institutional sources and non institutional sources of agricultural credit were excluded.

Sanjai Sing Rathore (2004)<sup>35</sup> made an attempt in his book “Rural Banking in India” about the development of rural banks in India and the present position of the banks. He conducted a study on Avadh Gramin Bank in Lucknow. Mobilisation of savings and deposit system were also included in the study. Utilisation of deposits, management of costs and profits, loan recovery and problems associated with repayment of loan were also discussed in the study. The study covered the entire structure and performance of Avadh Gramin Bank in Lucknow as a Regional Rural Bank of India but the study had limited scope as only one RRBs Avadh Gramin Bank was included in the study and other sources of rural credit were excluded.

N. Lalitha and R. Dayanandan (2005)<sup>36</sup> conducted a study on “NABARD and Rural Transformation” in Tamilnadu. The study reveals that Banking institutions play an important role in rural development. The study covered the refinance facilities of NABARD and disbursement of credit at grass root level. The researchers tried to find out the impact and utilization of rural credit. In this study, NABARD is the only subject matter and other sources of credit are excluded.

K. Patro (2007)<sup>37</sup> has attempted a study on “Role of Institutional Finance in Agriculture: A Study in India” and reveals that credit is essential for both agricultural and industrial sector. Both agriculture and industrial sectors are complementary to each other. Development of agricultural sector is the pre requisit for industrial development. To accelerate the development of agricultural sector, the sufficient financial help from institutional and non institutional agencies in the course of time are highly essential.

P.L. Bisoyi and R .N. Misra (2007)<sup>38</sup> conducted a study on “ Agricultural Credit and Economic Development in India.” The study reveals that Indian farmers are very poor and agricultural credit is considered basic need of the farmers to maintain the cost of production. Non institutional agencies still remain as major sources of agricultural credit in the rural area due to lack of sufficient facilities of institutional credit. Lending institutions are facing another problem of huge amount of overdue ranking between 40 percent and 47 percent which is very unhealthy practices of Indian farmers.

D. Barman(2008)<sup>39</sup> made an attempt to study about the problems of agricultural financing in Assam, particularly in Nalbari district and explained various sources of credit and various problems associated with it. But he did not pay much importance on new form of RRBs Assam Gramin Vikash Bank which reaches almost all areas of Assam.

S.Chatterjee(2008)<sup>40</sup> conducted a study about the role of Uttarbanga Kshetriya Gramin Bank(UBKGB) in lending agricultural credit and the flow of credit in agricultural sector in Jalpaiguri district, West Bengal. The study tries to find out the requirements of credit and credit gap. It also includes disbursement of credit, cost of getting credit, time lag, repayment performance and impact of credit on the borrowers. The study is limited only to one Regional Rural Bank, UBKGB and other sources of credit are excluded from the study area.

A. Kumar, K.M. Sing, and S. Sinha (2010)<sup>41</sup> conducted a study on

“Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants”. The study reveals that the institutional credit plays a pivotal role in the development of agricultural sector. The study observes that though the private money lender is still considered a major source of rural credit, yet, the role of institutions in the field of rural credit sector is increasing now-a-days. The rural credit structure has changed and commercial banks have emerged as the main source of institutional credit in the rural areas. The study also explains the changing portfolio structure of agriculture sector and the share of investment credit in the total credit has declined overtime. The decreasing share of investment may constrain the agriculture sector to realize its full potential.

S. Shandilya and R. K. Mishra (2010)<sup>42</sup> in their study explained that Indian economy is an agrarian economy. Agriculture is the main occupation of more than half of the total population of India. But still this sector remains in underdeveloped and pathetic condition because of lack of fund. In this regard, RRBs play a significant role in improving socio-economic conditions of the weaker sections of the rural community by providing sufficient credit facilities and help in eradication of rural poverty by increasing per capita income of rural poor.

Gupta and Gupta (2010)<sup>43</sup> have discussed the workings of Regional Rural Banks for the development of agricultural sector of Janpad Muzaffarnagar (Uttarpradesh) by providing agricultural credit for fast development of rural society. The RRBs can provide rural credit at the door step of agriculturists for improving the agricultural sector which, in turn, support the entire economic development.

N. Bindra (2010)<sup>44</sup> has observed that Indian farmers are exploited by village money lenders through charging high rate of interest which is possible due to lack of institutional credit facilities in the rural areas. Insufficient fund is one of the main hindrances of development of agriculture sector. The RRBs provide available credit facilities to agricultural sector and allied activities and banking services to the remote areas by opening number of branches.

Lata and Lipi (2010)<sup>45</sup> has examined the role of the RRBs in the development of socio-economic conditions of marginalized section by providing available finance for the development of agriculture, trade, industry and other productive activities in the rural areas. RRBs have become an indispensable part of rural financing system for the improvement of socio-economic conditions of rural masses.

D. Sharma and M. Khangta (2012)<sup>46</sup> in their study, "Rural Credit Disparities in Himachal Pradesh." made an attempt to study the rural credit disparities existing in different credit based on demand condition in the state and rural credit structure with reference to Himachal Pradesh. The agriculture and allied activities are most important for the development of backward region. But still this sector remains backward owing to poor financial facilities to the weaker section of the societies and infrastructure backwardness. There are huge credit disparities in rural areas so as to meet the required demand of credit.

V. K. Maan and A. Sing (2013)<sup>47</sup> undertook a study on "Role of NABARD and RBI in Agricultural Sector Growth." The study exposed the role of the National Bank for Agriculture and Rural Development (NABARD) and RBI (Reserve Bank of India) in the development of rural areas in India. The study observed that NABARD is the principal institution in respect of formation of all policies regarding the agricultural credit and allied activities in rural areas. NABARD is a refinance institution to all the banks for their lending operations for the purpose of agriculture and rural

development. It has got refinancing power from RBI for State Cooperative Banks and RRBs.

K. K. Tripathi (2015)<sup>48</sup> examined the trend and flow of agricultural credit and financial facilities in rural India. The study also tried to explore the rural credit flow through the financial inclusion. The flow of institutional credit to agriculture and allied activities was increased from Rs-883 crores in 1971-72 to Rs-4, 53,898 crores in 2011-12. The total share of institutional credit has increased in comparison to informal credit during the period of 1951 to 2013. This is due to efforts of central Government to register and regulate professional money lenders. But still dependency of rural household on informal sources for credit is in an increasing trend. This is actually a great challenge before the Government to ensure rural financial inclusion. The study observed that big farmers are largely benefited from credit flow of commercial Banks in comparison to marginal farmers. This means that there is a need to review the existing agricultural credit policy of the Government. PMJDY was introduced to provide comprehensive and inclusive growth. The study did not explain all the problems and prospect relating to agricultural credit in the rural society.

A. K. Soni and H. P. S.Saluja (2016)<sup>49</sup> conducted a study on cooperative banking institutions. The researchers examined that cooperative bank is playing the main role in the development of rural economy through providing sufficient credit to agricultural sector. The study mentioned that Primary Agricultural Credit Societies provided 30 percent microfinance to small and marginal farmers for the development of their agriculture sector. The study had limited scope because it covered only cooperative bank and other sources of credit were excluded.

## **2.6.2 Literature Related to Credit Delivery System**

U.S.Singh and D. Jha (1971)<sup>50</sup> pointed out that sufficient and timely credit is more important and the cost of credit does not play a main role. They reached this conclusion by taking sample size of three villages and 43 households around Delhi.

A.Pal (2004)<sup>51</sup> undertook a study about rural credit delivery system through the co-operative Bank, Commercial Bank and Regional Rural Banks. He also discussed the

role of S.H.Gs in providing finance to members for socio- economic development as well as meeting their urgent consumption needs.

J.Gandhi (2004)<sup>52</sup> conducted a study on the structural changes in rural credit delivery system and analyzed the deficiency of institutional credit to agricultural sector directly and loan recovery problems of agriculturists. He also suggested some positive steps to improve the rural credit delivery cum repayment system

### **2.6.3: Literature Related to Repayment and Overdues**

S.Subrahmanyam (2004)<sup>53</sup> has discussed in the field of co-existence of organized and unorganized sectors to provide rural credit in India. During the four and half decades of planned development, the share of rural credit by unorganized sector has declined due to the intervention of institutional financial sector and Govt. Policy. The rural financial institutions have got a position of stagnation due to heavy overdues and losses and it has become a factor of threat for their existence.

K.C. John(2004)<sup>54</sup> has conducted a study on the performance of co-operative and Regional Rural Banks in case of rural transformation of Karnataka and problems of overdues of loans in time. But the scope of the study is limited as it includes only two banks and excludes other sources of agricultural credit.

R. K. Mishra (2012)<sup>55</sup> attempted a study on “Overdue in Agricultural credit: A Case Study.” The study reveals that farmers remain in defaulters without paying interest and without repayment of loan due to crop failure and unproductive utilization of loan. In this study, the researcher made a field work in three villages of Bargarh district of Orissa to find out the flow of credit from financial institutions to farmers and their overdue problems of loan with the farmers across the villages and farms. The study included only overdue problems and excluded other problems associated with agricultural credit in rural areas.

## **2.7: Conceptually Related Studies in the Literature**

Abdur Razzaque (1969)<sup>56</sup> has conducted a study on the role of financial institutions in relation to rural development in backward district like Malda since 1969. In this

study, the researcher has covered all sectoral developments through the nationalization of commercial banks.

G. C. Panda and S. Tripathy (2007)<sup>57</sup> undertook a study on financing tribal women for empowerment through S.H.Gs in Kandhamal district of Orissa. They selected 80 tribal S.H.Gs on the basis of simple random sampling method of 12 G.Ps of Tikabali block. 160 rural tribal women were taken as respondents. It is seen from the study that 38 SHGs (47.5 percent) mostly utilised the loan for consumption purposes and 34 SHGs have utilized their loans for agricultural development purposes.

S.S. Nayak, R.N. Misra and A. K. Sahu (2007)<sup>58</sup> have conducted a study to highlight the role played by the financial institution in Ganjam district of Orissa in rural development under PMRY scheme. The study finds out that the importance of the rural economy cannot be neglected. During the years of study from 2000-2001 to 2003-04, the target has not been achieved. During this time, 3205 number of cases have been sanctioned but 1735 number of cases were disbursed. In the year 1993-94 the scheme was implemented only in urban areas. But gradually it has been extended to rural areas also. From the study, it is known that there is a wide gap between target and sanction and disbursement against sanction. Out of 18 branches of bank, only two SBI and Andhra Bank achieved the target in comparison to other banks.

B.N.Sethi (2007)<sup>59</sup> has examined in his study that unemployment problem of rural masses is a big challenge to policy makers in India. Therefore, rural sector should be self-reliant. For that purpose, self employment schemes are very much important to increase self employment of rural people and increase productive capacity of the various target groups in rural areas like- TRYSEM which are mostly institutional credit linkage schemes.

S. Shandilya and R.K.Mishra(2010)<sup>60</sup> have undertaken a study on rural development through RRBs and find out that agriculture is labour intensive sector and this character of agricultural sector can solve the problem of unemployment. The share of this sector in the GDP has declined from 36.4% in 1982-83 to 18.5 % in 2006-07 and provides employment to 52% of total workforce in India.

P. Chhabra and P. Mittal (2010)<sup>61</sup> reveal that the present production rate of agricultural sector is not sufficient for food security of ever increasing population.

The RRBs are the main providers of funds for the development of different sectors in the rural economy.

A. Sing (2010)<sup>62</sup> conducted a study on “Working of Regional Banks for the Rural Society.” The study examined that agriculture is the main sector of Indian economy. Majority of people are engaged in agricultural sector. But this sector is very backward and farmers are living below poverty line (BPL). This is because of lack of fund. Credit is an important instrument for the development of rural areas. RRBs play a crucial role in the upliftment of rural economy.

S. K. Das (2011)<sup>63</sup> has attempted a study about micro credit institutions and rural development of Assam. NABARD is the main institution of Self Help Groups (SHGs) bank linkage model. Micro finance is not only the provider of loans but also related with the rural economy. Micro finance can improve the standard of living of rural poor by providing small funds through SHGs. The main financing institutions for the SHGs are commercial banks and RRBs.

A. Pattanaik (2012)<sup>64</sup> conducted a study on capital and money market, its practical and theoretical approach. He explained all the financial institutions in relation to rural development. The study also included the performance and structure of Regional Rural Banks and Commercial Banks of India.

M. Pal (2016)<sup>65</sup> has made an attempt to study the several new initiatives taken by the Government of India for improving farmers’ welfare and development of agriculture and allied activities. Keeping an eye on the importance of agricultural sector for the development of rural economy, the Government has announced different schemes for the development of agricultural sector and has taken several steps to improving the real income of farmers by way of establishing research centre for improving seeds, soil, fertilizers, sufficient irrigation facilities and insurance schemes. These are the basic needs for increasing crop production. This study had limited scope in Govt. initiatives only and neglected the helping hand of financial institutions.

S.Bathla, S. Thorat, P. K. Joshi and Vingxivyu (1917)<sup>66</sup> conducted a study on “Where to Invest to Accelerate Agricultural Growth and Poverty Reduction.” The study tried to explore the way of poverty alleviation from the rural society. Poverty is one of the main characteristic of backwardness of an economy. Agriculture is the main source of

livelihood of the rural poor. So, this sector should be developed through increasing investment and set up different Government Scheme. It is pre- requisite of development of the agricultural sector to develop the industrial sector. The study did not include KCC loan to this sector.

## **2.8: The Reports of Different Committees and Working Groups**

### **a) All India Rural Credit Review Committee (1966)<sup>67</sup>**

The Reserve Bank of India (RBI) set the All India Rural Credit Review Committee in July, 1966 to undertake a review regarding the obstacles which have emerged in the course of the implementation of the recommendations of the Rural Credit Survey Committee to point out the remedial measures regarding the problems. The committee headed by Venkatappiah, reviewed the performance of various institutional credit agencies and made several recommendations for enabling them to play in this sphere. It also adopted various measures for ensuring timely and adequate flow of credit to agriculture through co-operatives and commercial banks.

### **b) M. Narasimham Working Group (1975)<sup>68</sup>**

The Banking Commission, 1972, gave birth to the Regional Rural Banks (RRBs) in 1975 to overcome the shortcomings of commercial banks and co-operatives. To make a detailed study about the establishment of RRBs in India, the Govt. of India appointed a working group under the chairmanship of Mr. M. Narsimham in 1975. The working group recommended establishing 5 RRBs on a pilot basis. The bank deals in money through deposits and lending. The area of operation is specified. The region served by a RRB is normally cluster of two or five districts. One criteria adopted in establishing the branch is that the banking facilities either co-operatives or commercial banks should be absent.

### **c) M.L. Dantwala Review Committee on RRBs (1978)<sup>69</sup>**

The Reserve Bank of India (RBI) appointed a committee in 1977 under the chairmanship of Prof. M. L. Dantwala to review the working of Regional Rural Banks. The committee recommended the extension of experiment to such of those districts where district central co-operative banks were weak. While the Narasimham

Group recommended it to be institution mainly for rural poor, but it did not want the non poor to be administratively debarred from getting its services. The committee observed that with a few modifications in their organizational functional structure, the RRBs could become a very useful component in the totality of rural credit structure.

**d) CRAFICARD: Sibaraman Committee (1979)<sup>70</sup>**

The RBI set up a committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 30 March, 1979. The Committee submitted its interim report on 28 November, 1979. The major outcome of the CRAFICARD's recommendations was the separation of the Agricultural Credit Development (ACD) from the RBI. As a result, National Bank for Agriculture and Rural Development (NABARD) came to be set up in July, 1982.

**e) The Senior Expert Group (1986)<sup>71</sup>**

The RBI, in consultation with government and the World Bank, constituted a Senior Expert Group in 1986 under the chairmanship of Prof. A.M. Khusro and other six members including three foreign specialists. The tasks, before the SEG which was renamed as Agricultural Credit Review Committee, were set out as the terms of reference required to evaluate the major problems and issues currently affecting the agricultural credit system and to prepare an integrated report setting out their recommendation to strengthen the agricultural credit system together with a time frame for their implementation.

**Narasimham Committee (1991)<sup>72</sup>**

After nationalisation of Banks in 1976, Indian Government expanded Banking branches and services in different areas. But resource mobilization and credit flows were not impressive. As a result, some public sector financial institutions had become weak and even incurred losses year after year. Their service capacity to customer, management, working technology was poor. They were not able to challenge the new changing competitive environment. To examine this situation, Government of India appointed a high level committee with the chairmanship of Mr. Narsimham, former Governor of RBI. The committee submitted its report by examining the entire situation on the Financial System.

Agricultural credit is an important instrument for the development of agriculture and allied activities. Now, there is availability of agricultural credit facilities supplied by the organised financial institutions which are generally asset oriented. In the field of institutional agricultural credit, illiterate farmers are facing problems in case of taking loans from financial institutions due to many hard and fast rules and structural and managerial problems of banking institutions. Some farmers are also not able to submit securities against their loans. Hence, farmers are bound to go to the village money lenders for meeting their requirement of credit. The unorganised sector is still playing a vital role in meeting credit requirement in rural areas. The insufficiency and untimely credit were also examined by some researchers. Another problem associated with agricultural credit is that some farmers are unable to repay loan in time to the financial institutions because of unproductive utilisation and failures of crop production during natural calamities. The financial institutions are facing a great challenge to overcome the problem of overdues recovery from both willing and unwilling defaulters. It is essential to find out current problems associated with agricultural credit in a dynamic economy to help policy makers. This study tried to explore many problems and made an effort in this direction.

## References

1. Smith, A., *An Enquiry in to the Nature and Causes of the Wealth of Nations*, Henry Frowds, London, 1904, P. 326.
2. Keynes, J. M., *the General Theory of Employment, Interest and Money*, Brace and World, Inc, 1936.
3. Nurkse, R., *Problems of Capital Formation in Underdeveloped Countries*, Oxford University Press, Bombay, 1953.
4. Baran, P.A., *The Political Economy of Economic Growth*, Peoples Publishing House, New Delhi, 1958, p.14.
5. Georgescu, R. N., *Economic Theory and Agrarian Economics*, Oxford Economic Papers, 1960.
6. Lokanathan, V., *A History of Economic Thought*, S.Chand & Company Ltd. New Delhi, 1975, p. 183.
7. McKinnon, R. J, *Money and Capital in Economic Development*, Booking Institution, Washington, 1971, pp.89-117.
8. Hymer, S. and Resnik, S., *A Model of an Agrarian Economic with non Agricultural Activities*, *American Economic Review*, 1969.
9. Galbis, V., *Financial Intermediation and Economic Growth in Less Developed Countries: A Theoretical Approach.*, *The Journal of Development studies*, 1977.
- 10.Patrik, H. T., *Financial Development and Economic Growth*, in Von Pishke, Adams, Donald(ed), *Rural Financial Market in Developing countries*, The John Hopkins University Press, London, 1983, p50.
11. Padmanabhan, K.P, *Rural Credit: Lessons for Rural Bankers and Policy Makers*, Intermediate Technology Publication, London, 1988, p.1

12. Kusum, W. K., Public Sector Banking, Efficiency and Economic Growth in India, *World Development*, 21(10), 1993.
13. Christen, R. P., *Banking Services for the Poor: Managing for Financial Success*, Academic Foundation, New Delhi, 2010.
14. Belshaw, H. *The Provision of Credit with Special Reference to Agriculture*, Auckland University College Texts, No1, Cambridge, 1931, pp3-15.
15. Schultz, T. W., *Transforming Traditional Agriculture*, Yale University Press New Haven, 1964, p. 86.
16. Rajagopalan, V., Farm Liquidity and Institutional Financing for Agricultural Development, *Indian Journal of Agriculture Economics*, 26(40), 1968.
17. Lewis, W.A., *The Theory of Economic Growth* (ninth impression), George Allen and Unwin Ltd., London, 1970, pp.129-30.
18. Tyagi, V., Role of Regional Rural Banks in India Economy and Rural Development, in Agrawal, M., *Regional Rural Banks and Upliftment of Rural Society*, Deep & Deep publications Pvt. Ltd., New Delhi-0027, 2010, pp., 72-85.
19. Lele, U. J., The Role of Credit and Marketing in Agriculture Development in India, in Islam, Nurul(ed) *Agricultural Policy in Developing countries*, The International Association, The Macmillan Press Ltd, London, 1974, pp, 418-28.
20. Griffin, K., *The Political Economy of Agrarian Change: An Essay on The Green Revolution*, Macmillan, London, 1976.
21. Sing, C., Ananth, A., and Dadhich, C., L., Credit as a Contributor to Doubling of Farmers' Income, *Kurukshetra, a Journal on Rural Development*, Vol-65, June 2017, pp., 18-20.
22. Schultz, T. W., *Transforming Traditional Agriculture*, Yale University Press New Haven, 1964, p. 86.

23. Padmanabhan, K.P, Rural Credit: Lessons for Rural Bankers and Policy Makers, Intermediate Technology Publication, London, 1988, p.1
24. Yotopoulos, p. A. and Sagrenio, L.F., Income Distribution, Transaction Costs and Market Fragmentation in Informal Credit Markets, Cambridge Journal of Economics, 16, 1992.
25. Deka, B.R., Agricultural Credit in Assam-A Study on Institutional Sources from 1951-1974., Gauhati University, Thesis, Unpublished, 1984.
26. Panda, R. K. Agricultural indebtedness and Institutional Finance, Ashish Publishing, New Delhi, 1986.
27. Singh, J. P, M.L. Chakravarty, H. N. Atibudhi, Rural Banking, Ashish Publishing House, New Delhi, 1988.
28. Tamuli, R., Institutional Finance to Rural Development-A Study of subansiri Gaonlia Bank in undivided Kamrup District, Gauhati University, Thesis, Unpublished, 1989.
29. Rayudu, C. S, Rural Credit in India (A Study of Andhra Pradesh), Mittal Publication, New Delhi, 1991.
30. Desai, S. S. M. Agricultural and Rural Banking in India, 1993.
31. Veerashkarappa, Institutional Finance for Rural Development, Rawat Publications, Jawahar Nagar, Jaipur, 1997.
32. Kapoor, s. Institutional Finance and Rural Development, New Century Publications, New Delhi, 2000
33. Uddin, N, Regional Rural Banks Development, A Mittal Publications, New Delhi, 2003.
34. Barman, B.T., Institutional Rural Credit in Assam: A Case Study of Rangia Sub-Division, Gauhati University, Thesis, Unpublished, 2003.

35. Rathore, S. S, Rural Banking in India, New Royal Book Co, Lucknow, 2004.
36. Lalitha, N. and Dayanandan, R., NABARD and Rural Transformation, Dominant Publishers and Distributors, New Delhi, 2005.
37. Patro, K., Role of Institutional Finance in Agriculture: A Study in India., in Misra, R. N., (ed) Banks for Rural Development, Sonali Publications, New Delhi, 2007, pp.21-29
38. Bisoyi, P. L. and Misra, R. N., Agricultural Credit and Economic Development in India, in Misra, R.N.,(ed) Banks for Rural Development, Sonali Publications, New Delhi, 2007,pp.98-104
39. Barman, D., Problems of Agricultural Financing in Assam-A Case Study of Nalbari District, Gauhati University, Thesis, Unpublished,2006.
40. Chatterjee, S., Regional Rural Bank and Agricultural Credit: A Critical Evaluation (with special reference to Uttarbanga Kshetriya Gramin Bank), N.B.U., Thesis, Unpublished, 2008.
41. Kumar, A., K.M.Singh and S. Sinha, Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants, Agricultural Economics Research Review, Vol-23, July-December 2010, pp253-264.
42. Shandilya, S. and Misra, R.K., Socio-Economic Significance of RRBs for Rural Economy Of India., in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp.64-71.
43. Gupta, A. and Gupta, A., Working of Regional Rural Banks for Rural Society, in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp. 119-124.
44. Bindra, N., The Role of RRBs in Rural Development, in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp. 59-63.

45. Lata, S. and Lipi, Role of the Regional Rural Banks in the Economic Upliftment of Weaker Sections of the Rural Society, in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp. 125-131.
46. Sharma, D. and Khangta, M., Rural Credit Disparities in Himachal Pradesh, Kunal Books, New Delhi, 2012.
47. Maan, V. K., and Singh, A., Role of NABARD and RBI in Agricultural Sector Growth, International Journal of Emerging Research in Management & Technology, ISSN: 2278-9359, Volume-2, Issue-3, March 2013.
48. Tripathi, K. K., Financial Inclusion in Rural India: Will 'Jan Dhan Yojana' Meet the Inclusion Gap?, Kurukhetra, a Journal on Rural Development, Volume-63, August 2015, pp.3-9
49. Soni, A. K. and Saluja, H.P.S., Role of Cooperative Bank in Agricultural Credit: A Study Based on Chhattisgarh, 'ABHINAV', National Monthly Referred Journal of Research in Commerce and Management, ISSN-2277-1166, Volume-01, issue-10, 2016.
50. Sing, U.S. and Jha, D., A Normative Analysis of the Impact of Capital Availability of Farm Income and Demand for Short Term Credit on Farms in Delhi, Indian Journal of Agricultural Economics,26(4),1971.
51. Pal, A, Rural Credit- An Overview, , in, Rural Banking and overdues Management, Mittal publications, New Delhi, 2004.
52. Gandhi, J.P, Rural Credit System in India-An Appraisal, in, Rural Banking and overdues Management, Mittal publications, New Delhi, 2004.
53. Subrahmanyam, S, Institutional Credit for Rural Development-Trends and Issues, in, Rural Banking and overdues Management, Mittal publications, New Delhi, 2004.

54. John, K. C., Rural Transformation and the Overdues Syndrome, , in, Rural Banking and overdues Management, Mittal publications, New Delhi, 2004.
55. Mishra, R.K., Overdue in Agricultural Credit: A Case Study, Journal of Business Economic Issues, Vol-03, No-02, 2012.
56. Razzaque, A., Role of Financial Institution in Relation to Rural Development With Special Reference to a Backward District Like Malda Since Nationalization of Commercial Banks, NBU, Thesis, Unpublished,1969.
57. Panda, G. C., and Tripathy, S., Financing Tribal Women through SHGs in Kandhamal District, in Misra, R. N., (ed), Banks for Rural Development, Sonali Publication, New Delhi, 2007.
58. Nayak, S. S., Misra, R. N., and Sahu, A. K., Role of Financial Institution in Rural Development under PMRY Scheme: A Study., in Misra, R. N., (ed), Banks for Rural Development, Sonali Publication, New Delhi, 2007.
59. Sethi, B. N., Bank with the Poor for Rural Development, in Misra, R.N.,(ed), Banks for Rural Development, Sonali Publications, New Delhi, 2007, pp.79-91.
60. Shandilya, S. and Mishra, R.K., Socio-Economic Significance of RRBs for Rural Economy of India, in Agrawal, M., (ed), Deep and Deep Publications, PVT, LTD, New Delhi, 2010, pp.64-71.
61. Chhabra, P. and Mittal, P., Regional Rural Banks-Role in Agricultural Sector, in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp. 163-175.
62. Sing, A., Working of Regional Banks for Rural Society, in Agrawal, M.,(ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,pp. 221-230.

63. Das, S.K., Micro Credit Institutions and Rural Poor in Assam, in Das, S.K. and Das, S.K.,(ed), Micro Finance and India's Rural Economy, New Century Publications, New Delhi, 2011,pp.50-60.
64. Pattanaik, A, Financial Market and Institution, Ritu Publication, Jaipur, India, 2012.
65. Pal, M., Agriculture and Farmers' Welfare: New Initiatives and Challenges, Kurukshetra, a Journal on Rural Development, Vol-64, N0-08, 2016, pp.05-09
66. Bathla, S., Thorat, S., Joshi, P.K. and Bingxivyu, Where to Invest to Accelerate Agricultural Growth and Poverty Reduction, Economic and Political Weekly, Vol-39, Chaptember 2017,pp.36-44.
67. Report of all India Rural Credit Review Committee, RBI, 1966, p-247.
68. Report of working group on RRBs, under the chairmanship of Sri Narasimham, RBI, Bombay.
69. Report of working group to review the report of Narasimham group on RRBs under the chairmanship of M.L. Dantawala, 1978, RBI.
70. Report of CRAFICARD (1979) chairman B.Sivaraman, RBI, 1979.
71. Report of the Senior Expert Group, RBI, 1986.
72. Report of the Committee on the financial system 1991(Narasimham Committee).

## CHAPTER-III

### A Profile of the Economy of Assam

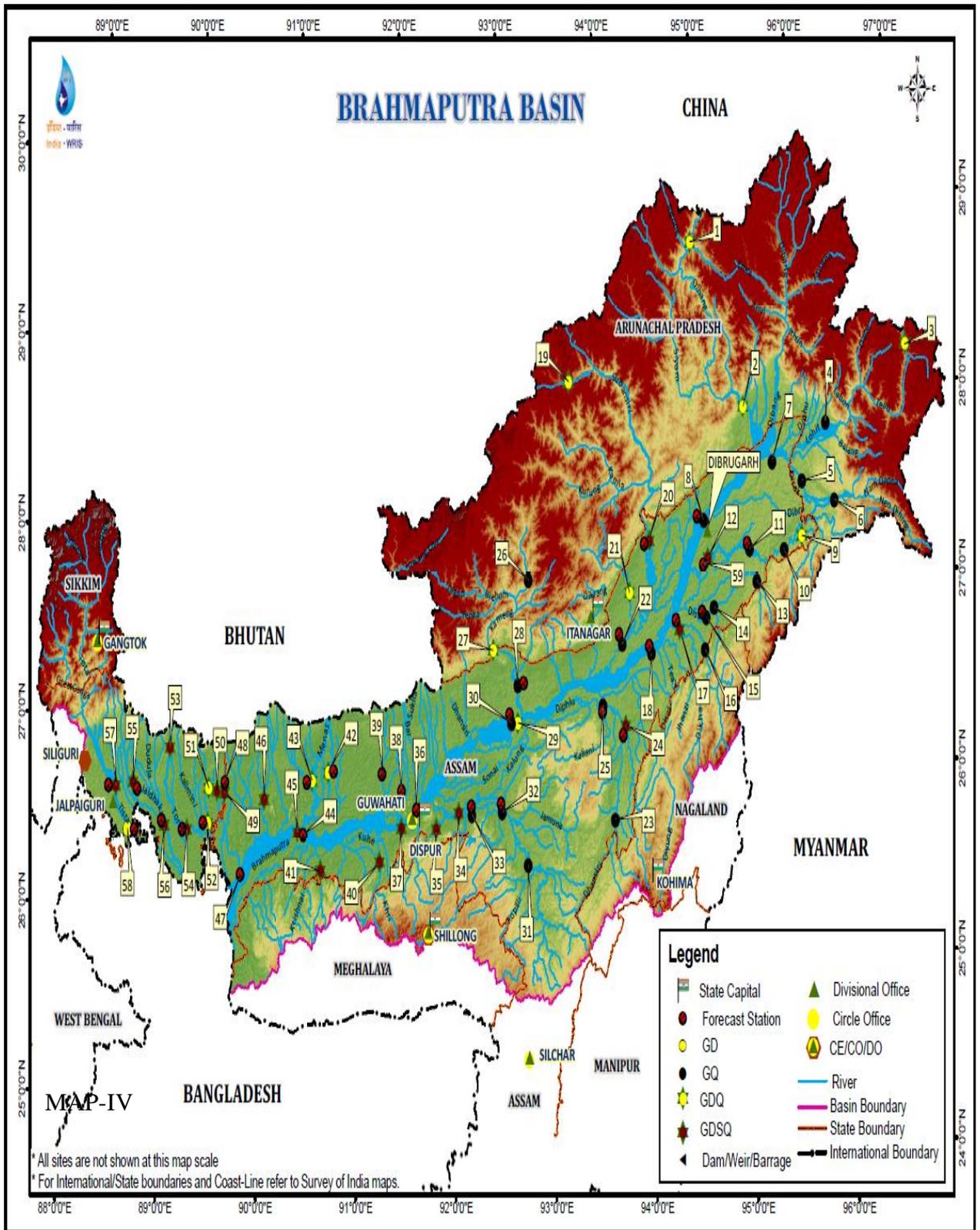
#### 3.1: Geographical Situation of Assam

Assam is situated in the North East region of India. The state is located in between the longitude of 90<sup>0</sup>E to 96<sup>0</sup>E and latitude of 24<sup>0</sup> N to 28<sup>0</sup> N. The state has international territorial boundary with Bangladesh on south and west, Burma (Myanmar) on east and China (Tibet), Bhutan on the north side. Internally on the east, the state is bounded by Manipur, Nagaland and a part of Arunachal Pradesh and on the south, there are a number of states viz- Mizoram, Tripura, Meghalaya and on the west of Assam is West Bengal and a part of Meghalaya. The total area within the boundary of Assam is 78,438 sq. kms as against the total area of 32, 87,263 sq. kms. of India. In Assam 98.4 percent is rural area and constitutes 2.4 percent of the total area of the nation. The state is in a position of rank 14<sup>th</sup> in case of area of boundary among all the states and provides shelter to 2.6 percent of total population of the nation.

The state Assam has two natural regions: i) the Brahmaputra valley ii) the Barak valley. The Brahmaputra valley (MAP-III) occupies total area of 71,582 sq. kms. of Assam. The Brahmaputra is the main river of Assam flowing from north east to west and finally to Bay of Bengal like a backbone of Assam with its 35 tributaries. The eastern part of the valley covering Lakhimpur, Dibrugarh and Sibsagar district, the middle of the valley covering Darrang, Nagaon and Sonitpur district and the western part of the valley is covering Kamrup, Nalbari, Barpeta and Dhubri districts.

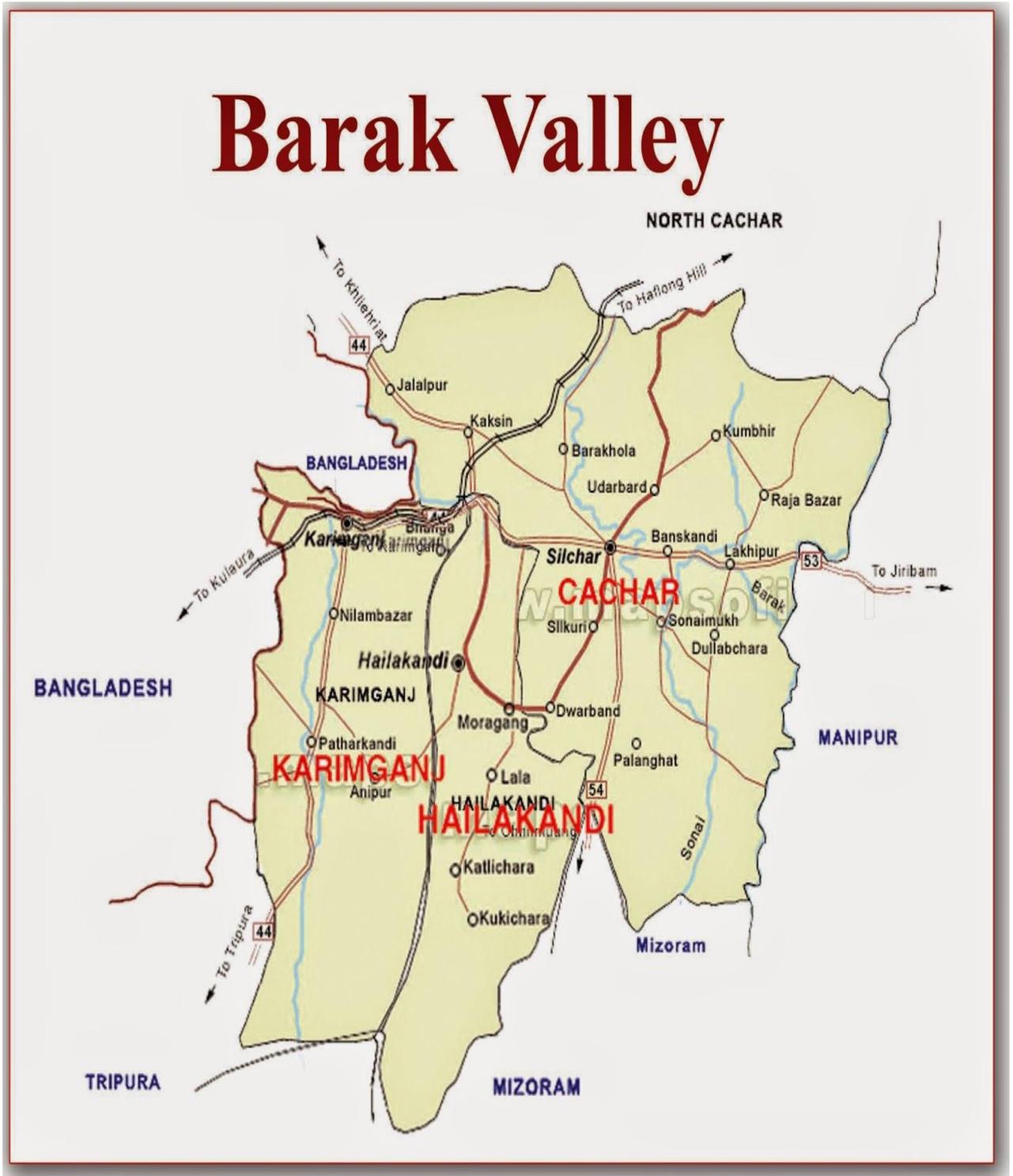
The Barak valley (MAP-IV) is situated in the southern part of Assam with an area of 6,941 sq. kms. The Barak River is flowing through the Cachar district with 9 tributaries. The valley is mainly covering three districts of Assam- namely Cachar, Karimganj and Hailakandi districts.

MAP-III



Source- Google Map

MAP-IV



Source- Google Map

The total hill area of Assam is covering 19.40 percent of the total area of Assam. The hilly area of Assam is less in comparison to all India level because it is 32.5 percent of the total geographical area of the country. The agriculture sector still remains backward in the hilly areas than the plain areas and the traditional shifting cultivation is still being practiced to a greater extent in the hilly areas of Assam.

The state has presently 33 districts including six newly created districts, namely-(Tinsukia, Dibrugarh, Jorhat, Sibsagar, Lakhimpur, Golaghat, Sonitpur, Karbi Anglong, Nagaon, Marigaon, Kamrup Metro, Darrang, Kamrup, Nalbari, Barpeta, Bongaigaon, Goalpara, Kokrajhar, Dhubri, Dima-Hasao, Cachar, Karimganj, Hailakandi, Chirang, Baksa, Udalguri, Dhemaji, Biswanath, Charaideo, South Salmara-Mankachar, West Karbi Anglong, Majuli, Hojai), 80 Sub-divisions, 219 C.D. Blocks, 26,395 villages and 214 total towns as per 2011 census report. There are three autonomous district councils in Assam with a view to providing more autonomy in case of administration of tribal people. These are Karbi Anglong Autonomous Council, North Cachar Hills Autonomous Council and Bodoland Territorial Autonomous Development Council comprising of four districts, namely-Kokrajhar, Chirang, Baksa and udalguri.<sup>1</sup>

### **3.2: Demographic Structure of Assam**

Human resource development is an essential part of economic development. The impact of growth rate of population on economic development of a nation may be positive or negative. The rapid growth rate of population is very much essential for an under populated developing country, but the same growth rate of population is a serious problem for an over populated developing country. The human resource development forms human capital and it is essentially needed for the development of an economy. Assam provides shelter to 2.6 percent of the total population of India. There is very high density of population in 27 districts of Brahmaputra valley and in 3 district of Barak valley. But the density in the three hill districts- Karbi Anglong, Dima Hasao and West Karbi Anglong is very low.

### 3.2.1: Growth of Population in Assam

Assam is facing a serious problem of high growth rate of population. According to census report 2011, the total population of Assam is 3, 12, 05,576 out of which 1, 59, 39,443 are males and 1, 52, 66,133 are females. The decadal growth rate of population is 17.1 percent during the decade 2001-2011 which is 17.7 percent in India as a whole.

The decadal growth rate and density of population of Assam as well as India from census 1901 to 2011 are shown in the following table-3.1.

**Table-3.1: Population trend in Assam and India.**

Year	Population ( in lakh)		Percentage Decadal Variation		Density (person per sq.km.)	
	Assam	India	Assam	India	Assam	India
1901	33	2384	-	-	42	77
1911	38	2521	17.0	5.8	49	82
1921	46	2513	20.5	0.3	59	81
1931	56	2789	19.9	11.0	71	90
1941	67	3186	20.4	14.2	85	103
1951	80	3611	19.9	13.3	102	117
1961	108	4392	35.0	21.5	138	142
1971	146	5481	35.0	24.8	186	177
1981*	180	6833	23.4	24.7	230	230
1991	224	8463	24.2	23.9	286	267
2001	266	10270	18.9	21.5	340	325
2011	312	12106	17.1	17.7	398	368

Source: Census of India 2011.

**Note:** \* Population figure of 1981 was projected estimates.

The table shows that population of Assam is increasing in every decade. It was increased from 33 lakhs in 1901 to 266 lakhs in 2001 and 312 lakhs in 2011. In India, it was increased from 2384 lakhs in 1901 to 12106 in 2011. Density of population in Assam is also increasing from 42 in 1901 to 398 in 2011. Likewise in India, it was 77 in 1901 to 368 in 2011. The growth rate of population in Assam is higher than the national level in all the decades, except in the decade 1991-2001 that Assam has experienced of lower growth rate of population than that of the national level.<sup>2</sup>

District wise decadal percentage growth of population and density of population as per census report of 2001 and 2011 are shown in the table-3.2

**Table-3.2: District wise population in Assam, 2011**

Sl.No.	District	Total Population				Population Density	
		2001	2011	% Share to total population, 2011	Decadal growth rate, 2001-11	2001	2011
01	Kokrajhar	843243	887142	2.84	5.21	266	269
02	Dhubri	1566396	1949258	6.25	24.44	941	896
03	Goalpara	822035	1008183	3.23	22.64	451	553
04	Barpeta	1394755	1693622	5.43	21.43	521	742
05	Morigaon	776256	957423	3.07	23.34	500	617
06	Nagaon	2314629	2823768	9.05	22.00	583	711
07	Sonitpur	1665125	1924110	6.17	15.55	315	370
08	Lakhimpur	889010	1042137	3.34	17.22	390	458
09	Dhemaji	571944	686133	2.20	19.97	177	212
10	Tinsukia	1150062	1327929	4.26	15.47	303	350
11	Dibrugarh	1185072	1326335	4.25	11.92	351	392
12	Sibsagar	1051736	1151050	3.69	9.44	394	431
13	Jorhat	999221	1092256	3.50	9.31	350	383
14	Golaghat	946279	1066888	3.42	12.75	270	305
15	Karbi Anglong	813311	956313	3.06	17.58	78	92
16	Dima Hasao	188079	214102	0.69	13.84	38	44
17	Cachar	1444921	1736617	5.56	20.19	382	459
18	Karimganj	1007976	1228686	3.94	21.90	557	679
19	Hailakandi	542872	659296	2.11	21.45	409	497
20	Bongaigaon	612665	738804	2.37	20.59	355	676
21	Chirang	433061	482162	1.54	11.34	219	251
22	Kamrup	1311698	1517542	4.86	15.69	377	489
23	Kamrup Metro	1059578	1253938	4.02	18.34	1689	1313
24	Nalbari	689053	771639	2.47	11.99	683	733
25	Baksa	857947	950075	3.04	10.74	427	387
26	Darrang	759858	928500	2.98	22.19	411	586
27	Udalguri	758746	831668	2.66	9.61	453	413
28	Biswanath						
29	Charaideo						
30	Hajai						
31	South Salmara-Mankachar						
32	West Karbi Anglong						
33	Majuli						
	Assam	26655528	31205576	100	17.07	340	398

Source : 1) Statistical Handbook, Assam, 2016.

2) Census of India, 2011.

Note: Last six districts of Assam are newly created by the Govt. of Assam.

Thus, the table reveals that the decadal growth rate of population has come down to 17.07 percent during the decade of 2001-2011. The growth rate of population is in a

lower level position in the districts of Kokrajhar (5.21 percent), Sibsagar (9.44 percent), Jorhat (9.31 percent), and Udalguri (9.61 percent). The districts of Dibrugarh, Golaghat, Chirang, Baksa and Nalbari have maintained a reasonable increase of population during the decade 2001-2011.<sup>3</sup>

### **3.2.2: Age Composition and Dependency Ratio**

The total population of a state can mainly be divided into economically dependent and economically independent groups. Economically dependent group includes three groups of age composition, i.e., infant age of 0-4 years, 5-15 years of age known as school going age (of course, many child labour from poor family of this age group), and 60 plus years of age called old age or retired age group. The economically independent group comprises of working age group between 15-59 years of age. This group is the most important from the economic point of view because this working group needs to support all the other three groups of people for their maintenance. According to 2001 census, age composition of the state shows that the percentage of population of the age 0-14 (school going age) are 37.4 per cent, between 15-59 (working group) are 56.63 percent and 60 and above (retired group) are 5.96 per cent. This shows that the dependency burden of Assam is 43.36 percent.<sup>4</sup>

### **3.2.3: Birth Rate and Death Rate**

Birth rate refers to the ratio of average number of children born per thousand of population and death rate is the average number of dead person per thousand of population. According to the Registrar General of India, 2014, the birth rates, death rates and Infant mortality rates of Assam have been 22.4, 7.2, and 49 per mile as against 21.0, 6.7 and 39 per mile respectively in India as a whole. Thus, the birth rate and death rate of population in Assam have been declining due to spread of education, eradication of some diseases, development of medical and public health facilities and effect of family planning programmes.<sup>5</sup>

### 3.2.4: Density of population

As per census, 2001, the density of population per sq. km. in Assam was 340 and in India, it was 325 people per sq. kms. It has been increasing to 398 in Assam and 368 in India as per the census 2011. The table 3.2 reveals that the density of population in 2011 is the highest in the district of Kamrup Metro (1313) and the lowest density of population is in the district of Dima Hasao (44).<sup>6</sup>

### 3.2.5: Sex Ratio

Sex ratio means the total number of females per thousand males. It is revealed in the census report of 2011 that out of total population of 312.05 lakh in Assam, 159.4 lakh were males and 152.6 lakh were females. Thus, the sex ratio in terms of females per 1000 males for Assam in 2011 was 958 as against 935 in 2001. It was 925 in 1991 and 896 in 1971.<sup>7</sup>

### 3.2.6: Literacy Rate

According to census 2011, the literacy rate of Assam has increased to 72.19 percent as against 72.99 percent of India as a whole. Male literacy rate was 77.85 percent and female literacy rate was 66.27 percent as per census 2011. The highest literacy rate at the district level is observed in Kamrup Metro (88.71 percent) and the lowest is in Dhubri (58.34 percent). The growth rate of literacy rate in Assam and India as a whole can be understood from the table-3.3.

**Table-3.3: Literacy Rate: Assam and India**

State	1991			2001			2011		
	Person	Male	Female	Person	Male	Female	Person	Male	Female
Assam	52.89	61.87	43.03	63.25	71.28	54.61	72.19	77.85	66.27
India	52.21	64.13	39.28	64.83	75.26	53.67	72.99	80.89	64.64

Note: The figure inside the table shows in percentage.

Source: Register General of India.

The table-3.3 shows that the literacy rate of Assam has increased from 52.89 percent in 1991 to 72.19 percent in 2011. Hence, the progress of literacy rate of Assam has indicated an encouraging sign.<sup>8</sup>

### 3.2.7: Rural-Urban Composition

Assam is pre-dominantly a rural state where majority of the total population are living in rural areas. According to census report of 2011, 85.9 percent of the total populations are living in rural areas (68.85 percent for all India level) and 14.1 percent are living in urban areas against 31.15 percent for all India.

As per census report 2001, the percentage of rural population was 87.1 percent as compared to 72.2 percent for all India and 12.9 percent lived in urban areas where as 27.8 percent for India .<sup>9</sup>

According to census report 1991, out of the total population of 224 lakh in Assam, 199 lakh (88.8 percent) people were living in rural areas and in urban areas were 25 lakh (11.2 percent). At the same time for India as a whole 74.3 percent were living in rural areas and 25.7 percent were living in urban areas.

The table-3.4 shows the rural-urban composition of population structure in Assam as well as in India during 1971-2011.

**Table-3.4: Rural urban composition population in Assam and India.**  
( Percentage of Rural and Urban Population)

	1971		1991		2001		2011	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Assam	91.1	8.9	88.8	11.2	87.1	12.9	85.9	14.1
India	80.1	19.9	74.3	25.7	72.2	27.8	68.84	31.15

Source : Census reports of India, 1971, 1991, 2001, 2011.

( As reproduced in the Economy of Assam, 2016, p 49)

The district wise distribution of total population between rural and urban places are shown in the table-3.5.

**Table-3.5: District wise distribution of population in rural and urban areas of Assam, 2011 Census**

District	Rural Population				Urban Population			
	2001	2011	% 2011*	D.G.R 2001-11	2001	2011	% 2011**	D.G.R 2001-11
Kokrajhar	791742	832201	93.81	5.11	51501	54941	6.19	6.68
Dhubri	1373953	1745557	89.55	27.05	192443	203701	10.45	5.85
Goalpara	755133	870121	86.31	15.23	66902	138062	13.69	106.36
Barpeta	1267887	1546269	91.30	21.96	126868	147353	8.70	16.15
Morigaon	738268	884125	92.34	19.76	37988	73298	7.66	92.95
Nagaon	2036342	2454234	86.91	20.52	278287	369534	13.09	32.79
Sonitpur	1489331	1750265	90.96	17.52	175794	173845	9.04	-1.11
Lakhimpur	823857	950804	91.24	15.41	65153	91333	8.76	40.18
Dhemaji	533112	637848	92.96	19.65	38832	48285	7.04	24.34
Tinsukia	926105	1063186	80.06	14.80	223957	264743	19.94	18.21
Dibrugarh	956634	1082605	81.62	13.17	228438	243730	18.38	6.69
Sibsagar	954557	1040954	90.44	9.05	97179	110096	9.56	13.29
Jorhat	827901	871722	79.81	5.29	171320	220534	20.19	28.73
Golaghat	865141	969152	90.84	12.02	81138	97736	9.16	20.46
Karbi Anglong	721381	843347	88.19	16.91	91930	112966	11.81	22.88
Dima Hasao	128644	151613	70.81	17.85	59435	62489	29.19	5.14
Cachar	1243534	1421153	81.83	14.28	201387	315464	18.17	56.65
Karimganj	934126	1118986	91.07	19.79	73850	109700	8.93	48.54
Hailakandi	498787	611156	92.70	22.53	44085	48140	7.30	9.20
Bongaigaon	515451	628994	85.14	22.03	97214	109810	14.86	12.96
Chirang	408053	446825	92.67	9.50	25008	35337	7.33	41.30
Kamrup	1253617	1375148	90.62	9.69	58081	142394	9.38	145.16
Kamrup Metro	209442	216927	17.30	3.57	850136	1037011	82.70	21.98
Nalbari	661567	688909	89.28	4.13	27486	82730	10.72	200.99
Baksa	857947	937833	98.71	9.31	0	12242	1.29	-
Darrang	718155	873006	94.02	21.56	41703	55494	5.98	33.07
Udalguri	725621	794094	95.48	9.44	33125	37574	4.52	13.43
Assam	23216288	26807034	85.90	15.47	3439240	4398542	14.10	27.89

Note: \* Percentage of Rural population. \*\* Percentage of urban population.  
D.G.R.-Decadal Growth Rate. Source: Statistical Handbook Assam, 2016.

The table-3.5 reveals that the percentage of population in rural places is shown highest in the Udalguri district (95.48 percent) and lowest in the district of Kamrup Metro (17.30percent) and the highest numbers of urban population are living in the

Kamrup Metro district (82.70 percent) and lowest number is in the district of Baksa (1.29 percent) as per census report 2011.

### **3.2.8: Occupational Structure of Assam**

The occupational distribution of working force of an economy gives the clear picture about the structure of its economy. Occupational structure represents the allocation of working population among the three main sectors, viz, (i) Primary Sector, (ii) Secondary Sector and (iii) Tertiary Sector. The primary sector includes agriculture, animal husbandry, forestry, fishery, etc. The economic activities like manufacturing, mining, quarrying, construction works and other industrial activities are attributed to the secondary sector. The tertiary sector comprises trade and commerce, transport, storage, communication and other services. In an underdeveloped economy, majority of working populations are engaged in the primary sector and a small part of working force is in the secondary and tertiary sector. With the development of an economy, the engagement of working population also changes from the primary sector to secondary and tertiary sectors.

As per census 1991, total number of working population in Assam was 82.6 lakhs and it was 36.9 percent of the total population of Assam. The working populations of Assam were distributed (in percentage terms) into various economic activities such as 50.9 percent as cultivators, 12.09 percent as agricultural labourers, 10.5 percent in live-stock ,forestry, hunting and plantation and allied activities, 0.49 percent in mining and quarrying, 4.0 percent in manufacturing, processing, servicing and repairing, 1.57 percent in construction, 6.8 percent in trade and commerce, 2.5 percent in transport communication and 11.1 percent in other services. According to 2001 census, total number of working force in Assam was 95.38 lakhs which constituted 35.8 percent of the total population of the state. The working force distribution (in percentage) in Assam were found as follows: 39.1 percent as cultivators, 13.2 percent as agricultural labourers, 10.5 percent in livestock, forestry, hunting and plantation and allied activities, 0.49 percent in mining and quarrying, 4.0 percent in manufacturing processing, servicing and repairing, 1.57 percent in construction, 6.8 percent in trade and commerce, 2.5 percent in transport communication and 21.8 percent in other services. Thus, there has been a little change

in the occupational structure of the state during the decade 1991-2001. The employment percentage of working population in the primary and secondary sectors has gradually declined and in the tertiary sector has increased to some extent. But still a very high percentage of working population of Assam is dependent on the primary sector for their livelihood and creates disguised unemployment and under-employment in the rural economy.<sup>10</sup>

### **3.3: Agricultural Scenario of Assam**

Agricultural sector plays an important role in the development of the rural economy of Assam, as it is the main source of livelihood of large part of rural masses of the state. The major portions of the total population of Assam (85.9 percent) are living in the village area. Thus, top priority must be given to the development of rural areas which is integral, directly or indirectly, for the development of agricultural sector.

The economy of Assam is mainly agrarian where 70 percent or more people directly earn their livelihood from this sector. As per 2001 census, agriculture provides workplace to 57.4 percent of the total work force in Assam and contributes 28.7 percent to the total state domestic product (SDP). According to census 2011, 98.4 percent land mass is rural out of the total land mass of Assam. The total cultivated land area of the state is 28.11 lakh hectares which is about 87.38 percent of the total land area of the state. The total land holding under operation is 1.10 hectares only and there are 85 percent of small and marginal farmer families who are occupying average land holding only 0.63 hectare in a scattered manner.

The table 3.6 shows the trend of Growth of agricultural sector in the economy of Assam.

Table-3.6: Trend of Growth of Agricultural sector [GSDP at constant (2011-12) prices]

(Figure in percentage)

Years	Contribution to GSDP ( figure in Rs. Lakh)	Annual Growth Rate over the Previous year.
2011-12	2061487	
2012-13	2496905	21.12
2013-14	2372688	-4.97
2014-15 (P)	2373106	0.02
2015-16(Q)	2474086	4.26

Note: (p)- provisional estimate

(Q) Quick estimate

Source: Directorate of Economics and Statistics, Assam.

The table-3.6 reveals that the contribution of agriculture sector to the economy of Assam has gradually increased [GSDP at constant (2011-12) prices] from 2061487 lakhs in 2011-12 to 2474086 in 2015-16. The annual growth rate has come down to -4.97 in the year 2013-14 but it is expected to recover to 4.26 as per 2015-16 (Quick estimates).

### 3.3.1: Cropping Pattern in Assam

The cropping pattern refers to the proportion of area under different crops at a particular period of time. The structure of cropping pattern may change with the changes in proportion of area under different crops. At first of the 20<sup>th</sup> century, the proportion of cultivable land of Assam under food crops was 90 percent and under non food or cash crops was 10 percent. In 1958-59, area under food crops diminished to 84 percent and the area under non food crops rose to 16 percent. This was because of the raising of the demand for non food grain crops.

The table-3.7 depicts the proportion of change in area under different crops in Assam.

**Table-3.7: Change in Area under Different Crops in Assam since 1960-61( in 000 hectares)**

Crops	1960-61	1980-81	1990-91	2013-14
1. Total Food grains	4,572(84.9)	2,521(84.2)	2,755(83.5)	2,714(78.6)
1.1. Rice	4,320(80.2)	2,275(75.9)	2,526(76.5)	2,503(72.5)
1.2. Wheat	9(0.16)	102(3.4)	84(2.5)	31(0.9)
1.3. other coarse Cereals	58	23	32	29(0.8)
1.4. Pulses	185(3.4)	113(3.8)	113(3.4)	150(4.3)
2. Total non food grains	813(15.1)	474(15.8)	545 (16.5)	738 (21.4)
2.1. Oil seeds	309(5.7)	233(7.8)	320 (9.7)	325 (9.4)
2.2. Jute	299(5.5)	112(3.7)	96 (2.9)	70 (2.0)
2.3.Cotton	32	4	2	1
2.4. Mesta	11	12	7	4
2.5. Sugarcane	62	48	36	29 (0.8)
2.6. Potatoes	76(1.4)	38 (1.2)	56 (1.6)	98 (2.8)
2.7 Others	24	26	25	211 (6.1)

Source: Compiled from Statistical Hand Book, Assam, 2014 and previous issues. Pp. 61-62 Note: Figures in Brackets shows percentage figures to total area under different crops.

The table 3.7 reveals that cropping pattern of Assam has gradually changed to some extent. The proportion of area under food grains production has declined from 84.9 percent in 1960-61 to 78.6 percent in 2013-14. The area under rice production declined from 80.2 percent in 1960-61 to 75.9 percent in 1980-81 and 72.5 percent in 2013-14. The wheat production area covered only 0.16 percent in 1960-61 which was declined to 0.9 percent in 2013-14. The area under the production of pulses out of the total cropped area of the state was 3.4 percent in 1960-61, 3.8 percent in 1980-81, again 3.4 percent in 1990-91 and 4.3 percent in 2013-14. The area under the production of cash crops (oil seeds, Jute, Cotton, Mesta, sugarcane, potatoes etc.) increased from 15.1 percent in 1960-61 to 15.8 percent in 1980-81, 16.5 percent in 1990-91 and 21.4 percent in 2013-14. Particularly, the area under the cultivation of oil seeds as percentage of the total cropped area increased from 5.7 percent in 1960-61 to 7.8 percent in 1980-81 and then to 9.7 percent in 1990-91 and 9.4 percent in 2013-14. Again the area under the cultivation of potatoes increased from 1.4 percent in 1960-61

to 2.8 percent in 2013-14. The area under the cultivation of Jute as percentage of total cultivation area was declined from 5.5percent in1960-61 to 2.0 percent in 2013-14 which become gradually unpopular in Assam.<sup>11</sup>

### 3.3.2: Index of Agriculture Production

The growth rate of agricultural production in Assam is very slow. Index of agricultural production in Assam and India with a new base triennium ending 2007-08 has been calculated and in the following table 3.8 shows the details.

**Table-3.8: Index of Agricultural Production in Assam and India**  
(Base: Triennium ending 2007-08=100)

Year	Assam			India		
	Food	Non-Food	All commodities	Food	Non-Food	All Commodities
2009-10	131.43	107.00	120.57	100.6	105.0	102.8
2010-11	149.34	106.43	130.25	114.3	128.1	121.1
2011-12	140.08	109.42	126.44	119.5	131.3	125.3
2012-13	152.29	115.11	135.70	119.4	129.1	124.2
2013-14	155.81	123.81	141.56	122.9	135.0	128.9
2014-15	157.43	130.24	145.32	123.1	135.4	129.2
2015-16	154.54	127.98	142.72	—	—	—

Note: Data for 2015-16 in Assam are based on provisional estimates.

Source: Economic Survey, Assam, 2016-17, p. 65.

The table 3.8 shows that the index of agricultural production (Base: triennium ending 2007-08=100) for all crops was increased from120.57 in 2009-10 to145.32 in 2013-14. Index of food crops production for Assam had been showing an upward trend. It was 131.43 in 2009-10, 149.34 in 2010-11, 140.08 in 2011-12 and 157.43 in 2014-15. The index of production of total crops for all India levels had revealed a rising trend from 102.8 in2009-10 to129.2 in 2014-15. In respect of food crops, the index of production for all India level was 100.6 in 2009-10 to 123.1 in 2014-15 and non food production index was 105.0 in 2009-10 to 135.4 in 2014-15.<sup>12</sup>

### 3.3.3: Agricultural Yield Rate

The yield rate of crops in Assam is very low in comparison with the average yield rate of India. In Assam, production technique in the field of agriculture is traditional and

the modern inputs like fertilizers, H.Y.V. seeds, irrigation and pesticides etc, are not practiced in an extensive manner. In Assam, the yield rate fluctuation occurs due to natural calamities, viz,-flood, draught, soil erosion etc. The table-3.9 shows the yield rate of crops in Assam-

**Table-3.9: Yield Rate of Principal Agricultural Crops in Assam ( kg/hect)**

Year	Autumn Rice	Winter Rice	Summer Rice	Total pulses	Total oilseeds (excl. coconut)
2004-05	667	1598	1959	569	529
2005-06	1016	1543	1780	550	465
2006-07	899	1321	2017	547	491
2007-08	999	1380	2267	596	525
2008-09	1084	1641	2133	545	549
2009-10	982	1894	2180	558	529
2010-11	1155	1993	2577	572	580
2011-12	1242	1785	2744	560	563
2012-13	1317	1998	2965	597	610
2013-14	1340	2002	2981	695	611
2014-15	1454	2005	2940	749	670
2015-16(p)	1364	2003	2818	757	664

Source: Economic Survey, Assam, 2016-17, p.63.

The table 3.9 reveals the yield rate of autumn rice which was increased from 667 kg per hectare in 2004-05 to 1454 kg per hectare in 2014-15. However, the yield rate of autumn rice declined to 1364 kg per hectare in the year 2015-16. The yield rate of winter rice in Assam shows an increasing trend from 1598 kg per hectare in 2004-05 to 2005 kg per hectare in 2014-15, except in 2011-12 and 2015-16, the production rate declined due to insufficient rainfall in Assam. The production of summer rice revealed an increasing trend which was 1959 kg per hectare in 2004-05 to 2981 kg per hectare in 2013-14. But the production rate declined in 2014-15 to 2940 kg and in the year 2015-16 to 2818 kg per hectare. The productivity rate of pulses was 569 kg per hectare in 2004-05 and 757 kg per hectare in 2015-16. The yield rate of oil seeds rose from 529 kg per hectare in 2004-05 to 670 kg per hectare in 2014-15. However, it was declined to 664 kg per hectare in 2015-16.

### 3.3.4: Area under High Yielding Variety (H.Y.V)

The expansion of area under High Yielding Variety (H.Y.V.) of rice is one of the good characteristics of development of agriculture sector. The total area under H.Y.V. of rice is gradually increasing in Assam as shown in the following table-3.10

**Table- 3.10: Area under High Yielding Variety (Area under lakh hectares)**

Year	Autumn Rice	Winter Rice	Summer Rice	Total H.Y.V.Rice Area
2005-06	2.35	9.50	2.65	14.5 (59.9)
2006-07	2.15	8.63	2.67	13.45 (61.4 )
2007-08	2.23	8.94	2.78	13.95 (60.0 )
2008-09	2.24	9.75	3.14	15.13 (60.9 )
2009-10	2.29	10.2	3.41	15.9 (62.8 )
2010-11	2.13	11.34	3.54	17.01 (66.2 )
2011-12	2.19	12.8	4.02	19.01 (74.0)
2012-13	1.60	11.70	3.61	16.91 (68.0)
2013-14	1.43	12.A22	2.24	15.89 (63.5)
2014-15	1.28	12.42	3.95	17.65 (70.7 )

Figure in bracket shows the percentage to total rice area.

Source: Economic Survey, Assam, 2016-17, p.63.

Total area under rice (Autumn, Summer and Winter rice) was 17.65 lakh hectares in 2014-15 which was 14.5 lakh hectares during 2005-06. It was 70.7 percent under H.Y.V. of the total area of rice in Assam in 2014-15 as against 59.9 percent in the year 2005-06. However, the area under H.Y.V. Rice was declined to 68.0 percent and 63.5 percent in 2012-13 and 2013-14 respectively.<sup>13</sup>

### 3.3.5: Pattern of Land Utilization in Assam

Pattern of land utilization is different for different purposes. As per the pattern of utilization of land, total area of the state are divided into the following categories-

a) forest b) land not available for cultivation c) other uncultivated land excluding fallow land d) fallow land e) cropped land.<sup>14</sup> In the land utilization statistics of Assam for the year 2014-15 (provisional), the total geographical areas of the state was 78.44 lakh hectares. Out of the total geographical areas, 28.27 lakh hectares or 36.04 percent are net sown areas in Assam. Total area under forest is 18.53 lakh hectares which constitutes 23.62 percent of the total geographical area of the state. The total land area covered by roads, rivers, lakes, railways, dwellings etc are termed as not available for cultivation which is 31.36 percent (24.60 lakh hectares) of the land area. Other uncultivated land which includes jungles of reeds, grazing land, useless trees and cultivable waste land, occupies 5.29 lakh hectares or 6.74 percent of the total reporting area of the state. Fallow land in Assam is 2.23 percent or 1.75 lakh hectares of the total reporting area. The total cropped land in the state was 40.83 lakh hectares in 2014-15 which was 41.00 lakh hectare in 2013-14. Social forestry occupied only 0.11 lakh hectare (0.14 percent) of the total area.<sup>15</sup>

### **3.3.6: Horticulture in Assam**

Assam is rich in the production of horticultural crops which includes variety of crops like fruits, vegetables, spices, plantation crops, floriculture, medicinal and aromatic plants, mushrooms etc. Horticultural sector is recognized as an important sector for creation of employment opportunities, increased income through value addition, earning source of income and food security and to improve livelihood security.

The table-3.11 illustrates the area, production and average yield of horticultural crops produced in Assam.

**Table-3.11: Area, Production and Average yield of some major Horticultural Crops of Assam**

Name of Crops	2014-15			2015-16 (estimated)		
	Area in Hectare	Production in M.T.	Average Yield in Kg/Hect.	Area in Hectare	Production in M.T.	Average Yield in Kg/Hect.
1	2	3	4	5	6	7
Banana	51279	865669	16882	55100	957362	17375
Pineapple	16007	281271	17572	17399	306887	17537
Papaya	7418	148857	20067	9470	190046	20068
Orange	15761	202378	12865	17358	231642	13345
Guava	4227	84518	19995	5516	112223	20345
Assam Lemon	13073	104533	7995	15022	139404	9280
Litchi	5435	48725	8965	5774	55104	9543
Jackfruit	21945	195639	8915	24015	234746	9775
Mango	4587	45689	9960	5529	57861	10465
Other fruits	4440	34743	7825	4566	44354	9714
<b>Total fruits</b>	144172	2012022	13869	159749	2329629	14583
Potato	104521	783768	7498	104827	1037263	9895
Sweet potato	6213	32858	5289	10007	53807	5377
Tapioca	3301	30090	9116	4404	39628	8998
<b>Total tuber crops</b>	114035	846716	7425	119238	1130698	9483
Chillies	19605	17287	882	21412	19121	893
Turmeric	16244	15906	987	16891	16753	992
Onion	8283	32421	3915	16422	189920	11565
Ginger	16525	142093	8599	18548	163129	8795
Coriander	28853	28795	998	29420	55133	1874
Garlic	10177	50070	4920	10393	76953	7404
Black Pepper	3528	5898	1672	3870	7897	2040
Other spices	5025	5100	1015	5331	6256	1174
<b>Total spices</b>	108240	297570	2749	122287	535162	4376
Kharif.	85413	1508393	17660	87951	1616670	18381
Vegetables						
Rabi.	192537	3503210	18195	195399	3699175	18931
Vegetable	277950	5011603	18030	283350	5315845	18760
<b>Total vegetable</b>						

Source: i) Directorate of Horticulture & Food Processing, Assam, 2015.

(As reproduced in Statistical Handbook, Assam, 2016. P. 131)

The table 3.11 shows that banana is the highest produced fruit in Assam which is cultivated in 51,279 hectares of land in 2014-15 and 55100 hectares of land in 2015-16. Total production of banana was 957362 metric tones in 2015-16 as against 865669 metric tons in 2014-15. Average yield rate of banana per hectare land was 17375 kg in 2015-16. Jackfruit is cultivated in 24015 hectares of land and total production amount was 234746 metric tonnes in 2015-16. Average production of

jackfruit per hectare land was 9775 kg in 2015-16. Some important fruit produced in Assam are pineapple (281271 M.T.), papaya (148857M.T.), orange (202378 M.T.), guava (84518 M.T.), Assam lemon (104533 M.T.), litchi (48725M.T.), mango (45689 M.T.), etc in 2014-15. Production of total fruits in Assam was 2012022 M.T. in 2014-15. Total production of tuber crops in Assam was 846716 M.T. and total spices was 297570 M.T. in 2014-15. Assam produces total vegetables was 5011603 M.T. in 2014-15.<sup>16</sup>

### 3.4: Rainfall and flood in Assam

*Availability of water is essential* for promotion of production in agriculture sector. In Assam, irrigation facilities are not sufficient for the development of agriculture sector and hence, agricultural production is mainly depending upon rainfall in Assam. The state Assam is situated in the North Eastern part of India which is highly a rainfall zone. But the distribution of rainfall is not uniform over space and time. It has been observed that there is deficit rainfall during the peak season of cultivation and sometimes, owing to heavy rainfall, causes floods in Assam. The following table-3.12 shows the variation of rainfall and ununiformity in monthly wise during 2015.

**Table-3.12: Month-wise Rainfall Pattern in Assam during 2015( in mm)**

Name	Normal	Actual	Departure from normal (%)	Status
January	16.2	10.8	(-) 33	Deficient
February	32.0	14.3	(-) 55	Deficient
March	78.1	26.2	(-)66	Scanty
April	172.9	232.0	34	Excess
May	304.2	300.3	(-) 1	Normal
June	427.3	457.9	7	Normal
July	454.2	280.2	(-) 38	Deficient
August	356.7	461.0	29	Excess
September	285.7	205.1	(-) 28	Deficient
October	131.8	56.9	(-) 57	Deficient
November	24.9	15.5	(-)38	Deficient
December	11.8	17.6	49	Excess
Total	2295.8	2077.8	(-) 9	Normal

Source: Statistical Hand Book, Assam, 2016, p. 94

From the table 3.12, it is clear that the annual variation of rainfall during 2015 is very wide and uneven. It is apparent from table-3.11 that the state has experienced deficient rainfall in the month of January, February, July, September, October,

November, excess rainfall in the month of April, August, December and normal rainfall in the month of May, June, insufficient rainfall in the month of March in the year 2015. The pattern of overall rainfall during the year 2015 was normal.

As per report of the Directorate of Agriculture, Assam, 2015 that the level of rainfall in Assam was 2133 mm. during 2015-16 as against normal level of 2295.8 mm. rainfall. The rainfall during the kharif crop season was 1936.5 mm. as against a normal of 2001 mm. in 2015-16. According to the State Agriculture Department, during kharif season, the overall rainfall situation was normal [(-) 3.2 percent below normal] in Assam. During the Rabi season, the actual rainfall was only 196.5 mm. against normal level of 294.8 mm. {Deficient rainfall (-) 33.3 percent}. The overall status of rainfall throughout the state was normal during 2015-16.<sup>17</sup> Assam is situated in flood prone zone. Flood and landslide are the two common nature made disasters in Assam which affect the socio-economic life of Assam. Assam is situated in the middle part of the river Brahmaputra and the Barak. The river Brahmaputra and the Barak and its tributaries are the main cause of flood in Assam. During monsoon period, the rivers cannot cope up with the vast volume of water owing to heavy rainfall within a very short period of time and devastating floods occur in the state. This is because of the upward shifting of river beds due to heavy soil erosion from both river banks and the huge collected amount of silt and debris during rainy season. According to the Rastriya Ban Ayog, the total flood affected area of the state is 31,500 sq. km. which constitutes 39.58 percent of the total land area of Assam and 9.40 percent of the country as a whole. The total flood affected area of Assam was 9.31 lakh hectares of land during 2015. The table-3.13 shows the various damages caused by flood in Assam.

**Table-3.13: Statistics on affect of damages caused by flood in Assam**

Item	2014	2015
1	2	3
Areas affected (in hectares)	–	–
No of villages affected	4,446	4,763
Crop area affected (in hectares)	3,72,178	3,29,303
Value of crop lost ( Rs- in lakh)	–	–
Population affected	42,03,609	36,66,908
Value of Houses damaged (Rs-in lakh)	–	–
No of cattle lost	28	212
Houses damaged (fully)	54,088	1537
Houses damaged (partially)	82,095	1955
No of Human life lost	90	64

Source: Office of the chief Engineer, Water Resource Deptt. And State Disaster Management Authority Guwahati, Assam, 2016

(As reproduced in Statistical Handbook, Assam, 2016. P. 157)

It is evident from the table -3.13 that total numbers of flood affected villages are 4,763 in 2015 as against 4,446 villages in 2014. The total crop area affected by flood is 3, 29,303 hectares in 2015 and 3, 72,178 hectares in2014. Total flood affected population are 36, 66,908 during 2015. Total number of human life lost due to devastating flood in Assam is 64 in the year 2015.

### **3.5: Irrigation Facilities in Assam**

Irrigation is an important infrastructure for improving the agriculture sector and development of agro-based economy of Assam. Modernization of agriculture is necessary to ascertain food security to all and to cope up with the increasing need of foodgrains on account of alarming growth rate of population. For this purpose adequate irrigation facility is certainly an important pre-requisite for the sustainable development of agriculture sector and to meet the increasing need of water for available crops production as irregular rainfall in Assam.. Irrigation is a technique of providing water artificially to the dry area as a substitution of rain water. Three types of irrigation schemes have been practiced in Assam. These are-

1) Surface flow Irrigation scheme: Diversion of flow of river water by constructing canal through which the surplus river water can be equally distributed. These schemes are under Major, Medium and Minor irrigation schemes.

2) Surface Lift Irrigation Scheme: Lifting of water by using pump from river, lake, pond, etc. and distribution of water through canal system.

3) Ground Water Lift Irrigation Schemes: Lifting of ground water by installing Deep Tube wells or Shallow Tube wells and distribution of water in the agricultural field through canal or through the over ground and underground pipes.

The programmes for development of irrigation facilities for practicing scientific method of production in Assam have been launched under two heads, viz, 1) Major & Medium irrigation 2) Minor irrigation. The major and medium irrigation include surface flow and surface lift and the Minor irrigation scheme includes only ground water lift by installing deep tube wells or shallow tube wells. The development of irrigation system in the state are presently taken care by three departments, namely, Irrigation Department, Agriculture Department and Panchayat & Rural Development Department. Among these three departments, the state Irrigation Department is the Nodal Department for the development of irrigation facilities in the state and look after all schemes of three categories of Major, Medium and Minor irrigation facilities and other two departments (Agriculture and Panchayat & Rural Development) are associated with the development activities of Minor

Irrigation facilities only. The total cropped area of the state is 40.76 lakh hectares of which 27 lakh hectares are irrigation potential area of the state and 66.24 percent of the gross cropped area are confined. The total irrigation potential of 9.32 lakh hectares are created by the State Irrigation Department alone of which 2.78 lakh hectares are under the schemes of both Major and Medium Irrigation project and remaining 6.53 lakh hectares are carried out by Minor Irrigation Schemes. Out of Minor Irrigation potential area of 6.53 hectares of which 5.04 lakh hectares are created potential through State Irrigation Department and the remaining part of 1.49 lakh hectares through the Assam State Minor Irrigation Development Corporation (ASMIDC) Limited. But the field works of ASMIDC Ltd. have been suspended since 1992-93 and it is merged with the State Irrigation Department.

The table-3.14 shows the year wise irrigation potential created through Govt. Schemes by Irrigation Department.

**Table-3.14: Irrigation Potential Created Through Govt. Schemes Created by Irrigation Department ( in hectare)**

Year	Major & Medium Irrigation	Minor Irrigation	Total
2010-11	4426	16456	20882
2011-12	10678	15029	25707
2012-13	270	9485	9755
2013-14	8000	11713	19713
2014-15	16170	38774	54944
2015-16	-	24935	24935

Source: Chief Engineer, Irrigation Department, Assam.  
(As reproduced in Economic Survey, Assam, 2016-17, p. 87)

The table-3.14 shows that total irrigation potential area is expanding in a continuous process from 20882 hectares in 2010-11 to 54944 hectares in 2014-15. However, potential irrigation area diminishes during 2015-16 due to Major and Medium Irrigation schemes are not active at all. District wise net areas irrigated in Assam are shown by the table-3.15.

**Table-3.15: District wise net area irrigated in Assa ( Area in hectare)**

District	2014-15	2015-16 (p)
1	2	3
Kokrajhar	15985	13317
Dhubri	499	229
Goalpara	2747	1930
Barpeta	3845	9387
Morigaon	832	709
Nagaon	18430	24725
Sonitpur	12403	19322
Lakhimpur	2053	329
Dhemaji	1533	602
Tinsukia	843	396
Dibrugarh	924	986
Sibsagar	927	398
Jorhat	2146	1100
Golaghat	928	1242
Karbi Anglong	40760	20547
Dima Hasao	3840	3826
Cachar	6570	3656
Karimganj	2579	3844
Hailakandi	225	152
Bongaigaon	812	921
Chirang	13844	15199
Kamrup	3050	2356
Kamrup Metro	1139	2360
Nalbari	221	253
Baksa	12503	15631
Darrang	5386	4684
Udalguri	23988	43467
Assam	179012	191568

Note: p= provisional

Source: Chief Engineer, Irrigation Department, Assam

(As reproduced in Statistical Hand Book, Assam, 2016, p. 149)

The table 3.15 shows that the net irrigated area is achieved the highest position in the district of Udalguri (43467 hectares), second highest position in the district of Nagaon (24725 hectares) and the third position in Karbi Anglong district (20547 hectares) during 2015-16. The total net irrigated area in Assam is 191568 hectares in 2015-16.

### **3.6: Financial Infrastructure in Assam**

Financial system of a nation plays an important role in the development of basic infrastructure and balanced growth of an economy by mobilizing deposits and credits in different region. Banking facilities in Assam was not available few years back. At present, banking branches are increasing at an alarming rate in Assam as in other regions of the country. With the development of trade and commerce during last

part of the 19<sup>th</sup> century and in the initial part of the 20<sup>th</sup> century, the importance of financial facilities was felt deeply in Assam. In the earlier stage of development, traders and Mahajans provided the services as suppliers of credit at high rate of interest. There were only 74 offices of scheduled commercial banks in 1969 covering 188 thousand persons against per bank in Assam and 65 thousand per banks in India in the same year. The table 3.16 shows the growth of scheduled commercial bank offices in Assam as well as in India and the trend of deposits and credit over a period of time.

**Table-3.16: Growth of Scheduled Commercial Banks in Assam and India.**

Year	Number of Offices		Deposits(Rs. In Crore)		Credit (Rs. In Crore)	
	Assam	India	Assam	India	Assam	India
2007	1262	70711	25757	2598823	11154	1949567
2008	1317	74326	31666	3228817	13057	2394566
2009	1369	79058	39427	3937336	15115	168977
2010	1434	83997	49545	4601926	18311	3345619
2011	1504	89110	59101	5426510	21053	4076868
2012	1574	96059	67455	6174147	25171	4821527
2013	1682	104647	77730	7051332	28576	5506496
2014	1861	115822	85069	8028220	31713	6264290
2015	2047	125863	97378	8922111	35911	6878472
2016	2177	132587	103794	9659968	42671	7520929

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, March 2007 to March 2016 of RBI. (As reproduced in Economic Survey, Assam, 2016-17, p.189)

The table-3.16 shows that total number of Bank offices of all scheduled commercial banks in Assam were 2177 in the year of 2016 which was 1262 in 2007. In India, there were 132587 Bank offices of all scheduled commercial Banks in 2016 as against 70711 in 2007. The total bank deposits in the state have increased from 25757 crores to 103794 crores in 2016. The total credit facilities in the state have also been increased from 42671 crores in 2016 to 11154 crores in 2007.

### 3.7: Transport and Communication in Assam

Transport and Communications are the essential part of infrastructures for the development of an economy. Developed Transport and Communication facilities are important prerequisite for the increasing economic activities of a country. The development of agriculture and allied activities, industrial sector, financial and educational institution, marketing facilities, power and energy, etc depend on availability of good transport and communication facilities. The state Assam is known as the gateway to all the other states of North East India, the need for development of transport and communication system is of vital importance. Geographical isolation structure is one of the basic causes of backwardness of transport sector in Assam. The contribution of transport and communication to the economy of Assam is shown in the following table-3.17.

**Table-3.17: Contribution of transport and communication sector to the State Gross Domestic Product at constant (2011-12) prices. (Figure in percentage)**

Year	Contribution to GSDP
2011-12	5.66
2012-13	6.04
2013-14	11.00
2014-15 (P)	6.61
2015-16 (Q)	11.17

P: Provisional Q: Quick

Source: Economic Survey, Assam, 2016-17, p.171.

The table 3.17 shows that the contribution of transport and communication sector to the State Gross Domestic Product was 11.17 percent during 2015-16 (Q) at constant (2011-12) prices which was 5.66 percent in 2011-12. The present positions of the transport and communication systems in Assam are as follows-

### 3.7.1: Road Transport in Assam

Road Transport is the principal transport system of Assam and it undertakes main responsibilities of providing means of adequate transport facilities to the people of Assam. The cost of road construction and maintenance is very high due to geographical condition, excessive rainfall and floods, levelling of uneven surfaces and necessity of construction of large number of bridges and culverts. The following table 3.18 shows the length of road network constructed under Public Works Department (PWD) in Assam.

**Table-3.18: Road Network in Assam (in kms)**

Category	2011-12	2012-13	2013-14	2014-15	2015-16
Surfaced Road (excluding N. H.)	21200	22700	23747	23948	25546
Unsurfaced Road	24300	22800	21753	20914	19316
National Highway	2848	3069	3069	3834.68	3862.53
State Highway	3134	3134	3134	2530	2530
Major District Road	4413	4413	4413	4379	4379
Rural Road	36544	36544	36544	36544	36544
Urban Road	1409	1409	1409	1409	1409

Source: Economic Survey, Assam, 2016-17, p.172)

The total length of road transportation in Assam comprises of 58202 km out of which 3862.53 kms. National Highways, 2530 km. State Highways, 4379 km. Major District roads, 1409 km. Urban road, 36544 km. Rural roads and remaining are Panchayats and other non PWD roads. The surfaced road (excluding National Highways) is 57 percent of the total length road in the state.

In Assam, both private and public sector provide equally the transport service. The Assam State Transport Corporation (ASTC), governments of Assam undertaking and private sector road transport operators provide transport service for the movement of passenger traffics and goods in every corner of the state. Both the transport systems are mainly associated with the intra-state and inter-state movement of passenger traffics and goods throughout the state.<sup>18</sup>

### **3.7.2: Railway Transport in Assam**

Railway is the most essential transport system for long journey and the highest used transport of the state. The first railway transport in Assam was introduced in 1881 with the formation of Assam Railways and Trading Company by the British under the leadership of Dr. John Barry White and the first railway line was constructed in the next year from Dibrugarh steamer ghat to Jaipur road. In 1885, two additional companies, namely, Jorhat Provincial Railway and Tezpur Balipara Railway were formed for giving an importance on the development of tea garden of Jorhat and Tezpur area. In 1892, Assam was connected with the other regions of India by the extension of railway transport with the formation of Assam Bengal Railway. After partition, the railway link between Assam and Calcutta was closed and the separate work of Assam railway link was started in 1948 which was completed in December, 1949. The North East Frontier Railway Zone (N.F.R.Zone) was established in 1958 with its headquarter at Maligaon (Guwahati). The total railway route length in Assam was 2442.57 kms in 1915-16 comprising of 2400.85 kms under Broad Gauge and 41.72 under Meter Gauge. The total Broad Gauge railway route length in Assam constitutes 98.29 percent and it is only 3.69 percent of the total Broad Gauge route length and 3.7 percent of the total railway route length of the country.

### **3.7.3: Water Transport in Assam**

The early history of the development of the transport system in Assam, water transport system was closely associated with its trade and commerce with the neighbouring states. In the early part of the colonial rule in Assam, the British authorities gave more importance on water transport considering the difficulties of the development of roads and railways transport in Assam. The East India Company started a steamer service in 1847. Two private companies were soon formed for the purpose of navigating the Brahmaputra and at a later date, the Barak River. These two companies were the Indian General Navigation Company and the Rivers Steam Navigation Company. In 1864 a regular commercial steamer service to Assam was opened. But the service run by the steamer companies was not adequate and satisfactory. Afterwards, these two companies joined together to form the Jointed Steamer Companies and have continued to maintain the steamer service to Assam.

The steamer services helped the state in exporting bulky products like tea, jute, timber etc, and also importing other consumer goods at a very low transit cost.

Assam is a state of riverine area. The Brahmaputra and the Barak river and their tributaries provide sufficient navigable waterways for the state. The total navigable length of waterways of the river Brahmaputra is 891 km. and 121 km. of the Barak River. In 1988, the Brahmaputra has been recognized as a second national water ways of the country. Water transport is the cheapest mode and environment friendly transport system. In order to fulfil the growing need of water ways, the Government formed two public sector organization of Assam, namely, the State Directorate of Inland Water Transport (IWT) and the Central Inland Water Transport Corporation (CIWTC) and provided water transport services on the river Brahmaputra and the Barak on commercial basis for the movement of goods. At present, there are 85 ferry services and 54 nos. cargo cum passenger service for transportation of remote areas in Assam under the Directorate of Inland Water Transport. In 2015-16, total 9561285 nos. of passengers and 1095516 qtls of goods were carried and IWT department collected 5.5 crores revenue during the same period.<sup>19</sup>

### **3.7.4: Air Transport in Assam**

Air transport is the fastest transport system for quick movement to any other places. Air transport services in Assam are provided by Indian Airlines and the Vayudoot. The Vayudoot air transport service was introduced in Assam from 26<sup>th</sup> January, 1981. Of course, the Vayudoot was merged with the Indian Airlines in May, 1993. The Indian Airlines provides its service through six civil airports of the state, viz., 1) Lokpriya Gopinath Bordoloi Airport (Guwahati) 2) Salonibari (Tezpur) 3) Rowrah (Jorhat) 4) Mohanbari ( Dibrugarh) 5) Lilabari (Lakhimpur) 6) Kumbhiragram (Silchar). There is also another non functional civil airport in Dubri (Rupshi) district of Assam which is lying closed for long time. Lokpriya Gopinath Bordoloi Airport located at Guwahati is the only international airport in the North Eastern region of the country. Besides, the Indian Airlines, there are several other private commercial airlines services such as Sahara, Spice jet, Indigo, Go-air etc have been operating air transport services from Guwahati to Kolkata, Delhi and some other places of the North Eastern region of the country.

### **3.7.5: Postal Services in Assam**

The postal service is an important means of communication in Assam. The Assam postal department was started in 1988 with its head office in Guwahati. The Assam postal circle has 9 postal Divisions and 2 RMS Divisions. There are 4011 post offices in Assam of which 3725 post offices are situated in rural areas and remaining 275 post offices are located in urban areas (as on March, 2016). The average areas and populations covered by each post office are 19.54 sq.km. and 22577 persons respectively. Assam has 3 night post office which are located at Guwahati GPO, Dibrugarh HO and Silchar HO. Total number of letter boxes of the state are 12300.

In order to serve better facilities to people, there were 353 modernized post offices and 674 computerized post offices in 2013-14. Beside, there were 4 National Speed post centres and 16 speed post centres in the state and postal Mail covers 4,428 railway kilometers.

### **3.7.6: Telecom Services in Assam**

The Assam Telecom Circle was formed in 1987 which is known as Bharat Sanchar Nigam Limited (BSNL), a largest telecom operator in Assam. In 2016, there were 577 active telephone exchanges in Assam. The telephone density in the state measured, in terms of coverage per 100 population was found to be 53.95 in Assam as against 79.36 at national level in 2015. Total subscribers under BSNL in the state were 1503449 and subscriber of wire-line phones under private operators were 1440 in 2015. Total mobile connections were 1.72 crore in 2015. BSNL provided service to 8.6 percent of the total mobile connections and private operators provided about 1.58 crore in 2015.<sup>20</sup>

Assam, the gateway of North East India, is the largest state of North East region. In Assam, most of the people are living in rural areas and maximum people are engaged in agricultural sector for their livelihood. Agricultural sector contributes a major share to GDP of Assam. Hence, top priority should be given to the development of agriculture sector in Assam for which pre-requisite condition is the development of infrastructure in an economy.

**References:**

1. Dhar, P.K., The Economy of Assam, Kalyani Publishers, 2016, pp.27-30.
2. Economic Survey, Assam, Directorate of Economics and Statistics, Assam, 2013-14, pp. 11-12.
3. Statistical Handbook, Assam, Directorate of Economics and Statistics, Assam, 2016, p.3.
4. Daimari, R., Economic Development of Assam, Problems and Prospects, Eastern Book House, Guwahati, 2008, pp. 71-72.
5. Economic Survey, Assam, Directorate of Economics and Statistics, Assam, 2016-17, p. 18.
6. Ibid 5, p.13.
7. Ibid 1,pp. 48-49.
8. Ibid 5, p. 16.
9. Ibid 2,p. 13.
10. Ibid 4, pp.75-77.
11. Ibid 1, pp.147-148.
12. Ibid 5, pp. 64-65.
13. Ibid5, pp. 62-63.
14. Goswami, P. C., The Economic Development of Assam, Kalyani Publishers, 2001, pp. 66-67.
15. Ibid 1, pp. 142-143.
16. Ibid 1, pp. 179-81.

17. Ibid 5, pp. 59-60.

18. Ibid 4, pp.92-93.

19. Ibid5, pp. 179-180.

20. Ibid 5, pp. 181-183.

## CHAPTER-IV

### **Institutional and non Institutional Sources of Credit**

#### **4.1: Introduction**

Agricultural credit is one of the most important factors for the development of agricultural sector and allied activities. Agricultural credit may be defined that amount of funds which are invested for the purpose of increasing farm productivity and development of agricultural sector. Agricultural Finance Corporation mentioned that agricultural credit is the amount of inevitable fund required for the farmers to purchase and to pay the various factors of production such as land, labour, machinery, livestock and various essential inputs of agricultural sector.

Agricultural sector provides employment to more than total working population of Assam. In Assam, most of the farmers are living below the poverty line and their socio-economic conditions are very pathetic. They are unable to make sufficient investment for conducting modern agricultural technique of production. Generally, poor farmers need to borrow fund from various sources for performing different activities in agricultural sector. Hence, the process of credit sanction should be simple, easy for the needy farmers. Development of agriculture sector is essential for agriculturists to maintain their standard of living and for the development of socio-economic condition of farmers.

In Assam, before the nationalization of commercial bank in 1969, non-institutional credit sources such as village money lenders, traders, relatives, landlords etc. were the principal sources of agricultural credit in the rural areas which charges high rate of interest and imposed some unfavourable terms and conditions on credit. Farmers are exploited by village money-lenders and production is adversely affected. Hence, institutional arrangement is necessary to provide adequate credit facilities to all the needy farmers for adopting new farm practices

Available credit facilities are an important requirement to modernize the production technique in agriculture sector. Investment of short term fund is necessary for the purpose of buying H.Y.V.seeds, fertilizers, pesticides, insecticides etc. The

medium and long term investment is essential to provide irrigation facilities and improvement of land for more agricultural production.

#### **4.2: Features of Agricultural Credit**

The economy of Assam is basically rural based and it includes different classes of people such as agriculturists, agricultural labourers, craftsmen and other wage labourers. They belong to poorer class in the society. Indebtedness is one of the serious problems of farmers' family. Majority of people are suffering from indebtedness and unable to get adequate credit at the right time. Sometimes, it is evident that farmers commit suicides for agricultural distress and not being able to maintain their family at a subsistence level. This is because of insufficient public investment in the agricultural sector.

According to some experts and institutions, there should be some criteria for a good credit system. In this regard, a famous agricultural economist, Lewis Tardy has mentioned the following criteria for a good credit system-

- a) The agricultural credit should be sanctioned for a long period.
- b) The interest rate should be low.
- c) Credit should be sanctioned and released for productive purposes and should not be released for unproductive and wasteful purposes.
- d) Farming ability and personal security is the main security of credit depending on which credit should be granted.
- e) Repayment capacity of a borrower should be considered in providing loan.

Reserve Bank of India (RBI) mentioned that the credit should be integrated with service such as arrangement of factors of production which is better than facile credit. When a borrower expenses his credit without any basic needs, it is known as facile credit. A credit system should be such that it can cover all the sections of farmers in all areas. Under a good agricultural credit system, loan should be granted for productive purposes. But credit for maintaining family should not be stopped completely. The security of credit should be the quantum of production and on the capacity to produce rather than property or volume of income as a security. It will

make easy for small farmers to get credit and enable them to apply their own plan of cultivation.

All India Rural Credit Survey Committee (AIRCSC) determined some essential features of agricultural credit. The state should support the credit policy. It should be an effective substitute to private sources of credit. Credit should not be released on the basis of security of land volume and other valuable property but security should be on the volume of production of crops. The use of credit should be supervised in a regular basis whether the credit fund has been channelized in a proper way or not. Thus, the credit should be available to all the farmers at their door step at the time of their requirement for cultivation. The cultivators should implement modern technique of production which increases production and ultimately increases repaying capacity of loan<sup>1</sup>

### **4.3: Period Based Classification of Agricultural Credit**

Agricultural credit can be classified into three major types depending upon the time of credit required to farmers:

#### **4.3.1: Short Term Credit**

Farmers need funds for the purpose of purchasing seeds, fertilizers, insecticides, paying wages to hired labourers, payment of electricity bill, tax on land, godown charges, fodder for cattle etc., for a period of less than 15 months. This type of credit is also very much essential for the farmers to support their families in those years in which production level is not sufficient to meet up their increasing demand. Short term credits are generally returned after harvesting of crops.

#### **4.3.2: Medium Term Credit**

This type of credit is provided to farmers for the purpose of improving land, to buy agricultural inputs, machinery, cattle and better cultivation system. The period of medium term credit is more than 15 months and less than 5 years.

### **4.3.3: Long Term Credit**

Long term loans are granted for long period of more than 5 years up to 10 years and sometimes may be for a period of 20 years. The farmers require this type of loans for the purpose of buying additional land, to make permanent improvements of land, any permanent construction, payment of old debt and to purchase costly agricultural machinery and some other improvements for farm operation<sup>2</sup>

### **4.4: Purpose Based Classification of Agricultural Credit**

Reserve Bank of India classified agricultural credit into three categories, namely credit for farm activities, non-farm activities and expenditure to maintain family. Credit for farm activities refers that type of credit which is provided to purchase seeds, fertilizers, pesticides, insecticides, wage of hired labour, improvement of land, irrigation facilities, buying various implements, machinery and livestock, construction of farm houses, etc.

Credit for non-farm activities means credit for the purchase of non-farm business such as repair of equipments and machinery of production and transport, purchase or repair of furniture, construction and repair of buildings, to buy some non-farm implements, etc. Expenditure to maintain family includes daily expenditure to meet the family demand such as food, clothes, education, medicine, various ceremonies, litigation and payback of old debt, etc.

### **4.5: Other Bases of Classification of Agricultural Credit**

#### **4.5.1: Classification on the Basis of Security**

Agricultural credit may be classified as secured and unsecured credit. Secured credit is provided to farmers against mortgage of valuable property such as land, livestock, crops, bonds, insurance policies, etc of borrowers; where as unsecured credit is provided on the basis of personal security of borrowers. It is generally sanctioned on the promissory or personal beliefs of borrowers with or without guarantees.

#### **4.5.2: Classification on the Basis of Creditors**

The agricultural credit can be categorized on the basis of creditor as institutional and non institutional. The institutional credit includes various financial institutions such as co-operatives, commercial banks, RRBs, NABARD and Government. The non institutional credit includes village money lender, commission agent, landlord, relatives, friends and others.

#### **4.5.3: Classification on the Basis of Debtor**

It may be divided into different groups such as crop farmers, dairy farmers, poultry farmers and fishermen.<sup>3</sup>

#### **4.6: Sources of Agricultural Credit in Assam**

Agricultural credit is playing a crucial role for growth and development of agricultural sector. Agricultural growth is important for alleviating poverty from the rural areas. During the pre-independence period, village moneylenders and landlords were the principal sources of agricultural credit which were inadequate, highly expensive and exploitative. Gradually, over the years, the roles of private money lending agencies have declined. This is due to debt relief legislations, issue of license to moneylenders and restrictions on the use of land as mortgage. Another main cause of disinterest of landlords to invest money in agricultural sector is that of abolition of zamindari and ryotwary land tenure system.

It is fact that the institutional credit sources have reduced the scope of private moneylender in the rural areas. However, marginal farmers and agricultural labourers have not been benefited adequately due to their ignorance about the rules of organized sector and weak payback capacity and they are still depending on private moneylenders.

There is an increasing trend of investment in agricultural sector and financial institutions are offering financial help for that purpose. The private moneylender cannot supply sufficient credit facilities to farmers. Thus, the importance and need of financial institutions are increasing with the development of rural sector. The main motive of institutional credit is not exploitative and their basic aim is to raise productivity and maximize the income of farmers.<sup>4</sup>

Sources of agricultural finance can be broadly categorized into institutional and non institutional sources.

#### **4.6.1: Institutional Sources of Agricultural Credit**

The institutional finance is essential for the development of agricultural sector. It has reduced the active role of private moneylenders among the rural masses. The increasing trend of investment in agricultural sector is possible only through raising the volume of institutional credit. The importance of institutional credit increases because of insufficient supply of loan to cultivators by private agencies. The institutional sources provide loans to farmers at a very low rate of interest and it is not exploitative source of credit. The main motive of institutional finance is to raise the productivity and income of farmers but profit is not the principal objective. The institutional sources can provide adequate supply of credit at the right time and at cheaper rate to a farmer which is considered as an indispensable part of development of agriculture sector. There are four phases of time duration in the path of development of institutional credit to farmers. The first phase starts from 1904 to 1969 (predominance of co-operative and setting up of RBI), the second phase is from 1969 to 1975 (nationalization of commercial bank and setting up of RRBs). The third phase is from 1975 to 1990 (establishment of NABARD) and the fourth phase is from 1991 onward (reform of financial sector). The main sources of institutional credit are discussed as under-

##### **4.6.1. (a) Government and agricultural credit**

Government is considered as one of the important sources of agricultural credit. Government is a vital pillar in the process of development of agricultural sector by way of providing financial assistance. Government helps the farmers directly and indirectly. The Government provides loan to farmers directly. These loans are known as taccavi loans which are ancient or traditional type of loans. These loans are generally released to farmers during the time of emergency such as flood, famine, draught and any other natural calamities etc. at a very low rate of interest. But these

loans cannot become more popular among the rural masses due to official red tapism or corruption.<sup>5</sup>

Indirectly Government provides financial help to agricultural sector through Co-operative Societies, Reserve Bank of India, State Bank of India, NABARD, etc. The Government helps these financial institutions at their starting point by buying shares. The Government also organize training programme for employees of these agencies and provides financial help to the poor institutions so that they can recognize themselves. The Government expends huge amount of money for the development of financial institutions which are again very much essential for agricultural sector for their financial assistance. Thus, the Government helps the cultivators indirectly.

The Government has been advancing loans to the farmers to meet up their financial needs from the last part of the nineteenth century with the two legislative measures (a) The Land Improvement Loans Act of 1884 (b) The Agriculturists Loans Act of 1884. These two acts were introduced as per direction of the Famine Commission of 1880. According to the Act 1884, long term loans were granted for permanent settlement of some problems and for improvement of land. Such loans were usually provided for a period of 25 years on the basis of mortgage of land. Under the Act of 1884, short term and medium term loans were provided to maintain their financial needs like to purchase seeds, cattle, manure, tools and equipments etc. and return these loans after harvest.<sup>6</sup>

#### **4.6.1. (b) The Co-operatives**

The co-operative societies in Assam are playing an important role in promoting self reliance and mutual help among cultivators, artisans and other persons with a common view of economic and social upliftment of the rural masses. The co-operative movement in Assam has tried to solve the problems of poverty, food security and employment generation etc.

The co-operative movement in Assam was started as soon as the co-operative societies Act was passed in 1904. But the movement was not functioning smoothly

during its working of 50 years till 1951 which was due to depression of thirties and the entire movement was declining at the time of political independence of the country. The economy of Assam was totally rural. Thus, the major agricultural sector was composed of producers where the tempo of agricultural development was to a considerable extent dependent on the development of agricultural co-operative as a mode of organization. With a view to assist successful implementation of the Agricultural production programme, the co-operatives have been functioning as an agency to provide rural credit and facilities of marketing, processing, distribution and storage of agricultural products.

The activities of co-operative movement were started in Assam with the introduction of national economic planning in 1951 by expending Rs 20 lakhs out of the plan funds. An additional amount of Rs 66.48 lakhs was also received from the Reserve Bank of India. A co-operative training institute was established in 1953 at Jaysagar in Sibsagar district for the training of office bearers as well as subordinate officers of the co-operative department.

There are three co operative banks in Assam viz (A) The Assam State Co-operative Apex Bank, (B) The Assam State Co-operative Agriculture and Rural Development Bank (ASCARD), (C) Urban Co-operative Bank. The Assam government has tried to implement the scheme of revival of short term co-operative credit structure (STCCS) through the Apex Bank and long term co-operative credit structure (LTCCS) through the ASCARD Bank.

#### **(A) Assam State Co-operative Apex Bank LTD**

The Assam State Co-operative Apex Bank is an important co-operative institution in providing credit for the development of agricultural sector as well as other sectors in the rural areas of Assam. The Bank was registered in 1948. There are 68 branches of the bank in Assam at present. Normally, the Assam State Co-operative Apex Bank provides credit to agriculturists through Primary Agricultural Credit Societies (PACS) and at present, the package of short term co-operative credit structure (STCCS) is implemented by the Co-operative Apex Bank in Assam. The Apex bank is improving its financial position by receiving assistance from the central Government and the state Government and earned net profits of Rs- 774.59 lakhs in 2014-15.

The performance of the Assam State Co-operative Apex Bank is shown in the table-4.1.

**Table-4.1: Performance of Assam State Co-operative Apex Bank LTD.**

Particulars	Units	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bank Branches	No	68	67	67	68	67	68
Members	'000'No	78	82	91	93	94	92
Paid up share capital	Rs. Crore	8.13	8.84	9.13	9.74	10.84	11.75
Reserve	do	96.84	22.15	33.69	30.08	43.03	51.76
Deposits	do	1544.51	15559.47	1500.63	1950.92	1888.50	2039.81
Working Capital	do	1775.03	1777.40	1687.60	2032.21	2079.81	1921.94
Borrowing Outstanding	do	Nil	7.0	6.45	7.37	4.87	7.46
Investment	do	1144.95	1019.56	987.10	1268.28	1028.60	1079.15
Loan Advances	do	215.50	419.58	125.29	358.77	287.95	278.57
Loan outstanding	do	313.44	504.84	483.71	686.36	787.33	879.27
Loan Overdue	do	99.83	98.98	98.38	135.31	88.06	95.83

Source: Registrar of Co-operative Societies, Assam, 2016.

The Table-4.1 shows that the total member of the Apex Bank has increased from 78 thousand in 2010-11 to 92 thousand in 2015-16. The share capital has also increased from 8.13 crore in 2010-11 to 11.75 crore in 2015-16. The working capital has raised to 1921.94 crore in 2015-16 from 1775.03 crore in 2010-11. Loan overdue is one of the serious problem of the bank which was 99.83 crore in 2010-11 diminishes to 95.83 crore in 2015-16.

**(B) Assam State Co-operative Agriculture and Rural Development Bank LTD. (ASCARD)**

The Assam State Co-operative Agriculture and Rural Development Bank LTD. (ASCARD) was registered in the year 1955-56. The ASCARD bank is not regulated and controlled under the Banking Regulation Act but the bank is continuing under the Assam Co-operative Land Mortgage Bank Act, 1960 and the Land Mortgage Bank Rules, 1961. There are 28 branches of the ASCARD bank in Assam with more than 47 thousand members. At first, the Primary Land Mortgage Bank

(PLMB) in the district level and after, its reformed form as Primary Agriculture Co-operative Banks which were merged with the ASCARD Bank Ltd. Actually, co-operative agricultural credit is providing for short term but the ASCARD bank facilitated the farmers medium and long term agricultural loans. At present, the economic condition and performance of the ASCARD bank is very poor which is due to mismanagement. The Government has decided to develop and revive the ASCARD bank by the way of short term co-operative credit structure (STCCS) as per direction of Vaidayanathan Committee Report-I (VCR-I). But the Government has emphasized on the development of Long Term Co-operative Credit Structure (LTCCS) as per recommendation of VCR-II. The performances of the ASCARD bank are represented in table-4.2.

**Table-4.2: Performance of the ASCARD Bank**

Particulars	Unit	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bank Branches	No	28	28	28	28	28	28
Membership	No	30056	39106	44332	45886	46771	47610
Paid up Share Capital	Rs. Crore	6.36	6.33	6.33	6.36	6.36	6.37
Working Capital	Do	17.02	16.41	13.22	13.07	12.41	13.31
Deposits	Do	0.30	0.20	0.18	0.73	0.95	1.05
Loans and Advances	Do	0.056	0.043	0.18	0.82	0.36	0.43
Loan outstanding	Do	9.22	8.77	8.42	8.65	8.46	8.42

Source: Registrar of Co-operative Societies, Assam, 2016.

The Table-4.2 reveals that the membership of the ASCARD bank has been increased from 30056 in 2010-11 to 47610 in 2015-16. The working capital diminishes to 13.31 crore in 2015-16 from 17.02 crore in 2010-11. Deposits of the bank have increased from 0.30 crore in 2010-11 to 1.05 crore in 2015-16. The loan outstanding is declining from 9.22 crore in 2010-11 to 8.42 crore in 2015-16.

### (C) Urban Co-operative Bank

There are 25 numbers of active Urban Co-operative Banks (UCBs). Large number of command, no any clear division of functions between the state government and the RBI which creates operational problems in imposing regulatory and supervisory measures on USBs. As a result, state government of Assam and RBI signed an agreement regarding the controlling power of RBI on UCBs during 2008 which improved the activities of the bank and confidence of depositors could be restored.

The expansion of networks of co-operative banks in rural areas is considered as the most urgent where agricultural sectors play a crucial role. But the extension of co-operatives in the urban areas has also potential. There are a large number of unorganized artisans and small Industries in urban areas and they are not able to use the modern scientific techniques of production. After formation of co-operation, they are able to use scientific methods of production and sufficient power also. The co-operatives have even provided credit to small entrepreneurs on their demands and needs. The performances of Urban Co-operative Banks are illustrated in table-4.3.

**Table-4.3: Performances of Urban Co-operative Banks**

Particulars	Unit	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bank Branches	No	22	23	23	24	25	25
Membership	'000'NO	28	29	29	31	30	32
Paid up capital	Rs. In crore	4.89	5.65	6.53	6.89	7.36	13.18
Working capital	Do	513.98	574.16	595.15	616.00	687.97	723.69
Deposits	Do	446.31	492.28	522.49	602.92	604.89	479.48
Loans advances	Do	393.85	307.38	199.59	233.04	217.71	259.87
Loan Outstanding	Do	179.85	223.98	239.45	239.10	236.24	257.24
Loan overdue	Do	10.43	16.80	13.89	18.07	21.00	26.76

Source: Registrar of Co-operative Societies, Assam, 2016.

The table-4.3 reveals that the number of bank branches of the Urban Co-operative Banks (USBs) increased from 22 numbers in 2010-11 to 25 numbers in 2011-12. The membership of the banks also rose to 32 thousand in 2015-16 as against

28 thousand in 2010-11. The paid up capital of USBs were increased from Rs- 4.89 crore in 2010-11 to Rs. 13.18 crore in 2015-16. The working capital of USBs had also been increased from Rs 513.98 in 2010-11 to Rs 723.69 crore in 2015-16. The loan advances of the bank had been increased to Rs 259.87 crore in 2015-16 as against Rs 393.85 crore in 2010-11. One of the serious weaknesses of USBs is to have loan overdue of Rs-26.76 crore in 2015-16 as against Rs 10.43 crore in 2010-11.<sup>7</sup>

The main weaknesses of the co-operative movement in Assam are insufficient fund position of co operative societies, illiteracy and ignorance of common rural masses, unavailable trained personal, inefficient management to run the societies, jealousy and rivalry relation among the employees etc. The problem of agricultural credit is still remaining in Assam which is not possible to solve through co operatives societies.

#### **4.6.1. (c) Commercial Banks**

Commercial Banks are playing a vital role in the development of agricultural sector by providing adequate credit facilities through nationalization of 14 major commercial banks in 1969 and 6 banks in 1980. The banking network in Assam is expanding by opening new branches of banks and makes a steady progress in the field of rural sector in Assam by mobilizing deposits and credits. The ever increasing banking habits in the midst of common masses and expansion of banking network in the state can be understood from increasing number of bank offices of all scheduled commercial banks in Assam. The total number of bank offices of all scheduled commercial banks has been increasing to 2177 as on March 2016 as against 1262 as on March 2007 and 74 at the time of nationalization of 14 banks in 1969. As a result of increasing branches of banks, the dependent person per bank offices has been reduced from 62.15 Sq. Km as on March 2007 to 36.03 Sq. Km as on March 2016. As per information of population census 2011, the per branch office of banks has covered 14.33 thousand of average population as its customers which was 9.1 thousand in all India level during the same period. Out of the total bank offices of all scheduled commercial banks, 48.0 percent bank offices were situated in rural areas, 29.0 in semi urban areas and 23.0 percent in urban areas. The total deposits in the scheduled

commercial banks in the state have been increased to Rs 103794 crore as on March 2016 from Rs 25757 crore in 2007 as compared to Rs 9659968 crore as on March 2016 from Rs 2598823 crore in 2007 in India. The growth of total quantity of deposits in Assam has been increased by 6.6 percent in March 2016 over the previous year. The per capita deposit in Assam was increased to Rs 33267 in March 2016 which was Rs 31211 in March 2015.

The total quantity of credit disbursement of scheduled commercial banks has also been increased from Rs 11154 crore as on March 2007 to Rs 35911 crore in March 2015 and Rs 42671 crore as on March 2016 which was an impressive growth of 18.82 percent in 2016 over the previous year. The per capita credit is Rs 13677 in March 2016 as against Rs 11510 in March, 2015. The growth of scheduled commercial banks in Assam and India and growth of its deposits and credit are shown in the table-4.4.

**Table-4.4: Growth of scheduled commercial Banks in Assam and India  
( at the end of March)**

Year	Number Offices		Deposits(Rs. In crore)		Credit ( Rs. In crore)	
	Assam	India	Assam	India	Assam	India
2007	1262	70711	25757	2598823	11154	1949567
2008	1317	74326	31666	3228817	13057	2394566
2009	1369	79058	39427	3937336	15115	168977
2010	1434	83997	49545	4601926	18311	3345619
2011	1504	89110	59101	5426510	21053	4076868
2012	1574	96059	67455	6174147	25171	4821527
2013	1682	104647	77730	7051332	28576	5506496
2014	1861	115822	85069	8028220	31713	6264290
2015	2047	125863	97378	8922111	35911	6878472
2016	2177	132587	103794	9659968	42671	7520929

Reporting Offices only.

Source: Quarterly Statistics on Deposits and credit of scheduled commercial Banks, March 2007 to March 2016 of RBI.

The banking network operating in the country as well as in the state can be renamed as different groups such as i) State Bank of India, ii) Nationalized Bank, iii) Foreign Banks, iv) Regional Rural Banks, v) Private Sector Banks, vi) All Scheduled Commercial Banks and these have distinctive roles to play in the state economic scenario. The performance of these banks in the state is shown in the table-4.5

**Table-4.5: Bank Group Wise, Number of Offices, Deposits and credit of scheduled Commercial Banks in Assam, up to March, 2016**

Bank Group	No.of offices	Deposits(Rs.In crore)	Credit(Rs-in crore)
State Bank of India and its Associates	344	39693	14754
Nationalized Banks	1101	47409	16769
Foreign Banks	2	168	107
Regional Rural Banks	465	7932	4446
Private Sector Banks	265	8592	6595
All Scheduled Commercial Banks.	2177	103794	42671

Reporting Offices only

Source: Reserve Bank of India,2016.

The credit –deposit ratio of all scheduled commercial banks in Assam was highest with 43.3 as on March, 2007 and 36.9 percent as on March 2015 and 41.1 percent on March 2016 which remained far below than National level. The credit-deposit ratio of all scheduled commercial banks in India was 77.9 percent as on March, 2015 and 77.9 percent as on March, 2016. The credit- deposit ratio of all scheduled commercial banks in Assam and India is shown in the table-4.6.

**Table-4.6: Credit-Deposit Ratio of all Scheduled Commercial Banks in Assam and India (as on March)**

year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assam	43.3	41.2	38.3	37.0	35.6	37.3	36.8	37.3	36.9	41.1
India	75.0	74.2	72.6	72.7	75.1	77.5	78.1	78.0	77.4	77.9

Source: Quarterly Statistics on Deposits and credit of scheduled commercial Banks, March 2007 to March 2016 of Reserve Bank of India.

#### **4.6.1. (d) Regional Rural Banks (RRBs)**

The commercial banks and the co-operative banks in the state were unable to provide sufficient credit to the rural poor as per their demand and requirement. Hence, the Regional Rural Banks (RRBs) were established under the Regional Rural Banks Act, 1976 as per recommendation of Narasimham committee. The RRBs has been advancing loan to farmers, agricultural labourers, small artisans and small entrepreneurs etc. At present, Assam Gramin Vikash Bank (AGVB) and Langpi Dehangi Rural Bank (LDRB) are the two Regional Rural Banks in Assam.

The Assam Gramin Vikash Bank (AGVB) was established on 12<sup>th</sup> January, 2006 by amalgamating 4 Regional Rural Banks, namely- Pragjyotish Gaolia Bank, Lakhimi Gaolia Bank, Cachar Gramin Bank and Subansiri Gaolia Bank as per provision under section 23 (A) OF RRBs Act,1976. There are 410 nos of branches of Assam Gramin Vikash Bank spreading all Districts of Assam. Out of 410 nos of branches of AGVB, 309 branches are situated in rural areas, 83 branches in semi-urban areas and 18 branches in rural areas of Assam. Out of 58 branches of Langpi Dehangi Rural Bank, 51 branches are situated in rural areas and 7 branches are located in semi-urban areas.

The aggregate deposits of RRBs in Assam has been increased from Rs. 7882.96 crore at the end of March, 2015 to Rs. 7950.43 crore at end of March,2016. The growth rate of deposits of RRBs was 0.86 percent at the end of March, 2016 over the previous year. The total disbursement of credit of RRBs has also been increased to Rs. 4581.04 crore at the end of March, 2016 as against Rs. 4161.72 crore as on March, 2015 which represented an increase of 10.07 percent. The credit deposit ratio of RRBs was 57.62 percent as against 57.79 as on March, 2015.

The achievements of Regional Rural Banks are shown in the table-4.7

**Table-4.7: Achievements of Regional Rural Banks in Assam (Rs. In lakh)**

Period ( as on)	Achievement Under Annual plan			Credit- Deposit Ratio (%)	
	Annual target for all Banks	Achievement of all Banks	Achievement of RRBs	All Banks	RRBs
31.3.2008	175518.40	155511.33	32211.73 (20.71)	50.48	52.64
31.3.2009	221924.24	150226.67	37082.91 (24.68)	45.85	49.62
31.3.2010	257892.21	2507225.49	52181.55 (20.81)	42.05	47.50
31.3.2011	354847.18	289468.82	70261.61 (24.27)	39.71	47.94
31.3.2012	449985.62	458541.64	76721.43 (16.73)	44.64	53.75
31.3.2013	642041.89	463765.9	61755.56 (13.32)	43.56	56.28
31.3.2014	1067096.67	647419.05	78707.27 (12.16)	43.48	55.88
31.3.2015	1001174.85	612794.07	86143.45 (46.37)	42.79	52.79
31.3.2016	779300.00	894483.19	71248.25 (38.47)	50.36	57.62

Figures in bracket shows the percentage share of achievements of RRBs to all Banks.

Source: State Level Bankers Committee report of various years.

(As reproduced in Economic Survey, Assam, 2016-17, p-193)

The Table-4.7 indicated that achievement of all banks were Rs. 155511.33 lakh as on March, 2008 against the annual target of Rs. 175518.40 lakh for all banks during the same time. The achievement of RRBs alone was Rs. 32211.73 lakh as on March, 2008 which was 20.71 percent of share of achievement of all banks. The achievement of all banks has been increased to Rs. 894483.19 lakh against the annual target of Rs. 779300.00 lakh as on March, 2016. The achievement of RRBs has also been increased to Rs. 71248.25 lakh which indicated 38.47 percent of share of achievement of all banks.<sup>9</sup>

#### **4.6.1.(e) National Bank for Agriculture and Rural Development (NABARD)**

As per recommendation of Government of India, Reserve Bank of India appointed a Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 1979. Shri B. Sivaraman was

the chairman of CRAFICARD. The structure and function of Agriculture Refinance Development Corporation (ARDC) was examined or reviewed by CRAFICARD in respect of ever increasing requirement of term loan for agriculture and integrating short term and medium term loan with long term loan at national, state, district and village level.

The CRAFICARD felt that inadequate integrated rural development due to certain inherent handicaps inhibited associated with national level institutions which aimed at enlisting the weaker sections in the rural areas within a specific time period. In this context, the committee recommended the formation of a National Bank for Agriculture and Rural Development as a national level organization to provide undivided attention, forceful direction and pointed out to credit problems arising out of the integrated approach to rural development. The Government of India and the Reserve Bank of India approved the proposal and the National Bank of Agriculture and Rural Development Act, 1981 were approved by the parliament. The National Bank for Agriculture and Rural Development (NABARD) was established on 12 July, 1982.<sup>9</sup> NABARD was set up with a view to rapid development of agriculture and its allied activities and village industries and basically development of rural sector.

The main role of the NABARD is to flow agricultural credit through various agencies in Assam. NABARD does not provide financial facilities and other help to farmers, rural artisans and other rural people directly rather it flows the agricultural credit to farmers through other banking institutions such as commercial banks, regional rural banks, co-operative banks etc. NABARD is considered as an apex institution dealing with policy planning and other operational aspects of rural credit for the development of rural economy of Assam.

In 1987, NABARD took a policy to improve the economic condition of the rural poor by providing financial services to the weaker class in cost effective manner. AS a result, an effective relationship established between self-help groups (SHGs) and formal banking system and in 1992, NABARD formally started the SHG-Bank linkage programme as a pilot project with the support and assistance of Reserve Bank of India.

Thereafter, NABARD introduced another skill development programme in 2006 which is known as 'Micro Enterprise Development Programme (MEDP). The MEDP was a short duration organizing programme within a particular location for skill upgradation and development for generating sustainable livelihood and for opening micro enterprises by the members of SHGs and successfully achieved the goal of these enterprises.

Micro finance movement was launched in Assam during the year of 1997-98. Thereafter, since 2001-02, the microfinance movement was successfully developed, its position in Assam was started with SHG-bank linkage programme of NABARD and within a short period of time, a very impressive growth rate of SHGs linked to bank and total quantity of credit disbursement against SHGs was found.

In 1995-96, NABARD increased 27 percent of its distribution of refinance in the North- eastern states over the previous year. Out of the total refinance of Rs. 67.56 crore received by the North-eastern state in 1995-96. Assam got the large part of 44.46 crore and the lowest share of Rs. 1.24 crore was received by Mizoram. NABARD allotted Rs. 6.30 lakh short term credit to the North-eastern region during 1995-96 for the purpose of agricultural operations of which Rs. 4.50 lakh was reserved for tribal population.

NABARD has introduced a special fund of Rs. 2,000 crore for completing the ongoing infrastructure development project, known as Rural Infrastructure Development Fund (RIDF). NABARD also indicated that the purpose wise distribution under schematic lending for different purposes such as minor irrigation, land development, farm mechanization, horticulture, fisheries, dairy farming, storage and marketing facilities, IRDP etc in Assam from banks in 1995-96 was Rs.30.64 crore and it was estimated Rs.329.92 crore of schematic lending in Assam up to March,1996.

During 1997-98, NABARD has extended the volume of refinance assistance to the various banks in Assam against the term loans to agriculture and allied activities and non-farm sectors including various government sponsored programmes of Rs.81.33 crore which was 24.14 percent growth over the previous year's level of refinance of Rs. 65.52 crore. The total volume of refinance of NABARD during this period was Rs. 117.38 crore.

Out of the total refinance disbursed in the entire North- eastern region, the government sponsored programmes received the highest amount of Rs. 80.32 crore ( 68.42 per cent) of which a part of Rs. 50.46 crore (42.99 percent) was received by Prime Minister's Rozgar Yojana (PMRY) and Rs. 29.86 crore (25.43 per cent) was followed by IRDP. Besides, the government sponsored programme, NABARD's refinance disbursement flow to banks was the highest of Rs.27.52 crore (23.55 per cent) for loans to non-farm sectors.

There is an achievement of NABARD in case of total volume of refinance under the schematic lending through commercial banks, regional rural banks, scheduled commercial banks was Rs. 135.25 crore as on 31<sup>st</sup> March, 2005 and it further increased to Rs. 168.56 crore as on March, 2012.

During 2015-16, the total amount of refinance allotted to various banks in Assam by NABARD was Rs. 189.76 crore as against of Rs. 245.85 crore in 2014-15. The following table-4.8 shows the amount of refinance disbursed by NABARD to various banks of Assam as a agency wise, purpose wise and activity wise.

**Table-4.8: Agency Wise, Purpose Wise and Activity Wise Refinance Disbursed by NABARD (Rs. In Lakh)**

Purpose	2014-15			2015-16		
	Commercial Banks	RRBs	Total	Commercial Banks	RRBs	Total
Minor Irrigation	0.000	15.510	15.510	-	-	-
Land Development	0.000	0.000	0.000	-	-	-
Farm Mechanization	0.000	1183.970	1183.970	-	792.41	792.41
Plantation and Horticulture	200.480	55.630	256.110	-	914.71	914.71
Animal Husbandry ( Dairy, Poultry, Sheep, Goat & piggery)	0.000	1898.160	1898.160	-	2338.67	2338.67
Fisheries	0.000	132.830	132.830	-	569.09	569.09
Forestry	0.000	3082.710	3082.710	-	-	-
RNFS (i/c Rural Housing)	0.000	104.730	104.730	2740.01	-	2740.01
Agro Processing	7366.319	0.000	7366.319	-	-	-
SC/ST Action Plan	0.000	10518.450	10518.450	-	-	-
SHG	-	-	-	-	8121.00	8121.00
Others (2 wheelers, SHG, SRTO-Truck etc.)	0.000	26.460	26.460	-	3500.36	3500.36
Toal	7566.799	17018.450	24585.249	2740.01	16236.24	18976.25

Source: National Bank for Agriculture and Rural Development, 2016

(As reproduced in Economic Survey, Assam, 2016-17, p.197)

The table-4.8 shows the drastic change of refinance disbursement pattern of NABARD. The allotment of fund to plantation and horticulture has extended from Rs.256.110 lakh in 2014-15 to Rs.914.71 lakh in 2015-16. Disbursement of fund for animal husbandry has been increased to Rs. 2338.67 lakh during 2015-16 as compared to Rs.1898.160 lakh, for RNFS (ic rural housing) increased to Rs. 2740.01 lakh as against Rs.104.730 lakh.<sup>10</sup>

#### 4.6.1. (f) Financing under Kishan Credit Card Scheme

Kishan Credit Card (KCC) is one of the main sources of agricultural credit in India. In Assam, banks have been increasing harass free and cost effective credit support to agriculturists through Kishan Credit Card (KCC) Scheme. The KCC Scheme was launched in 1998-99. The KCC scheme is being implemented in all the regions of the country through all commercial banks, RRBs, State co-operative bank, central co-operative banks and primary agricultural co-operative societies. The KCC scheme issued a credit card and a pass book or a credit card cum a pass book to farmers with his name, address and particulars of land, borrowing limit and the validity period. The total numbers of Kishan Credit Card issued to farmers were 7,388 card in Assam as on 31<sup>st</sup> December, 2001 with sanctioned loan of Rs.1, 397.73 lakh which is quite insufficient in comparison to other parts of the country.<sup>11</sup> The following table-4.9 shows the performance of Kishan Credit Card Scheme in Assam.

**Table-4.9: Advances under Kishan Credit Card Scheme (Rs. In lakh)**

Year	Annual Achievement		Cumulative Achievement	
	Card Issued (No)	Amount	Card Issued (No)	Amount
2006-07	50067	7862.03	359395	40580.52
2007-08	62132	16365.83	329932	67908.97
2008-09	103361	37589.23	480393	104682.06
2009-10	149822	43055.94	630070	158372.04
2010-11	163063	50495.87	793801	209071.23
2011-12	371474	130329.35	967220	307834.01
2012-13	265797	93219.58	1329203	393538.41
2013-14	308306	150567.42	1586687	1551091.21
2014-15	281889	133136.24	1809898	629941.72
2015-16	217460	108409.61	1706822	691273.68

Source: Reports of State Level Bankers Committee, Assam,2016.

(As reproduced in Economic Survey, Assam, 2016-17, p-195)

The table-4.9 shows the annual achievement of KCC scheme regarding the card issued and facilitated loan annually to farmers. The table reveals that total number of card issued to farmers have been increased from 50067 during 2006-07 to 217460 in 2015-16 and total amount of loan granted to farmers was Rs. 691273.68 lakh as compared to Rs.40580.52 lakh during 2006-07. Cumulatively, total number of KCC card issued to agriculturists have

been increased to 1706822 in 2015-16 in the state since the inception of the scheme. Again cumulatively, the KCC holders of the state have been able to received loan of Rs. 691273.68 lakh since the beginning of the scheme. Thus, 62.76 percent of agriculture based family were covered under KCC Scheme at the end of March, 2016.

#### **4.6.1. (g) Micro Finance**

Technology and finance are the two basic needs to reduce rural poverty. The poor in Assam do not have proper access to the organized banking sectors. The rural people require finance for both production and consumption purposes and also need credit in the form of short term, medium term and long term for the development of economic activity related to crop production, animal husbandry, fishery, poultry, repairing shop, cottage industry, handicrafts, small entrepreneurship and trade etc. Hence, the new strategy in the form of micro finance is to ensure flexibility in lending and repayment based on the capacity of the borrowers to earn enough to repay- whether it is daily, weekly, monthly or seasonal.<sup>12</sup>

Micro finance refers to small funding loans to poor family which can help them engaging in agricultural production or in small entrepreneurship. Micro finance is an essential scheme which was introduced to meet the financial requirement of rural poor and poverty alleviation programme and also for improving socio-economic condition of the poor. NABARD introduced micro finance scheme in 1992 with formation of 500 Self Help Groups (SHGs) which was the world largest micro finance scheme in India. NABARD introduced SHGs-Bank Linkage Programme, to provide financial support to the small entrepreneurs (including farmers ) which is the most easy credit delivery system. The SHGs-Bank Linkage programme has also been tried to be extending formal banking services to the backward and remote areas. However, the progress of SHGs-Bank linkage programme has started in Assam from 2001-02 onwards. The cumulative performance of SHGs- Bank linkage programme is represented in table-6.10.

**Table-4.10: Self-Help Groups Financed by Banks (Rs. in lakh)**

Year	Total bank linked SHGs		Deposit linked		Credit linked	
	Number	Amount	Number	Amount	Number	Amount
2006-07	230902	58040.52	121474	5261.61	109428	52778.91
2007-08	257863	57417.70	142147	6044.72	115716	51372.98
2008-09	305132	77365.49	166740	7485.51	138392	69879.98
2009-10	374745	92724.79	210890	9123.46	163855	83601.33
2010-11	433954	118051.17	240032	11195.29	193922	106855.88
2011-12	499183	139741.00	272822	10928.00	226361	128813.00
2012-13	540566	164138.86	281018	12228.9	259548	151909.96
2013-14	589268	175686.05	319417	15092.27	269851	160593.78
2014-15	568225	157395.13	319423	13487.17	248802	143907.76
2015-16	541292	131002.38	316585	10254.68	224707	120747.70

Source: Reports of State Level Bankers Committee, Assam, 2016.

( As reproduce in Economic Survey, Assam, 2016-17,p-196)

The table-6.10 reveals that total numbers of SHGs linked to bank in Assam has been increased from 230902 in 2006-07 to 541292 in 2015-16. Total 316585 numbers of SHGs were deposit linked and 224707 numbers of SHGs were credit linked in Assam. Total amount of deposit of SHGs increased from Rs. 5261.61 lakh in 2006-07 to Rs. 10254.68 lakh in 2015-16 and total amount of credit provided by bank to SHGs was Rs. 120747.70 lakh in 2015-16 against Rs. 52778.91 lakh in 2006-07.

### **SHGs-Bank Linkage under SGSY**

Swarnajayanti Gram Swarojgar Yojana is one of the poverty alleviation programme in India. The main goal of the programme is to uplift the socio-economic condition of rural poor (particularly farmers) through engaging in sustainable economic activities by providing bank loan and government subsidy. Cumulative performance of SHG-Bank linkage programme under SGSY is represented in table -4.11.

**Table-4.11: SHG-Bank Linkage under SGS Y (Rs.lakh)**

Year	Total credit linked SHGs		Total credit linked SHGs under SGSY	
	Number	Amount	Number	Amount
2006-07	109428	52778.91	54735	36549.70
2007-08	115716	51372.98	54790	31006.57
2008-09	138392	69879.98	69144	45898.88
2009-10	163855	83601.33	84678	55161.36
2010-11	193922	106855.88	102166	74784.79
2011-12	226361	128813.00	123473	94423.5
2012-13	259548	151909.96	134107	106687.46
2013-14	269851	160593.78	139340	105503.75
2014-15	248802	143907.76	123055	92746.31
2015-16	224707	120747.70	112806	78666.13

Source: Reports of State Level Bankers Committee, Assam.

(As reproduced in Economic Survey, Assam, 2016-17, p-196)

The table-4.11 reveals that total SHGs linked with credit under SGSY have been increased from 54735 in 2006-07 to 112806 in 2015-16 and total amount of credit has also been increased from Rs. 36549.70 lakh in 2006-07 to 78666.13 lakh in 2015-16.<sup>13</sup>

#### **4.6.2: Non Institutional Sources of Agricultural Credit**

The village moneylenders are playing an important role in the rural sector. The private agencies are still considered as the main source of agricultural credit in some remote areas of Assam. The predominance role of private agencies in the field of agricultural finance is owing to inadequate number of banking institutions and there are some areas in Assam without any branches of financial institutions. The process of credit delivery system of bank is found difficult by illiterate farmers. The private moneylender also provides fund for productive and non productive purposes without any formalities and for short term and medium term financial requirement of cultivators. In some areas of Assam, private agencies are still the only sources of rural credit available to farmers. Non institutional sources of agricultural credit are as follows-

**i) Moneylender**

From the ancient time, moneylenders have been playing an active role in advancing loans to farmers. There are two types of moneylenders: professional moneylenders and non professional moneylenders. The money lending activity is the main occupation or profession of professional moneylenders. The mahajans and some village shop keepers advance loan to farmers and carry on this activity along with their own business in rural areas. On the other hand, the cultivation is the main occupation of non professional or agriculturist moneylenders. This section of farmers can produce surplus product and they have sufficient fund. Money lending activity and cultivation are both done at the same time.

**ii) Traders and Commission agents**

Traders and Commission agents are providing credit to farmers for their land cultivating activities. The cultivators need fund to meet their requirement during the gape period of investment of fund for cultivation and harvesting of crops and the farmers are compelled to sell their crops at very low prices before maturity or before harvesting of crops. The creditors take heavy commission from farmers. This type of credit is usually provided for cash crops. But the role and importance of this system has been reducing in the recent past.

**iii) Relatives**

Cultivators are often taking loans from their own relatives in cash or kind in order to overcome their crisis of funds. These are informal loans and are returned after harvest. Farmers are normally borrowing these loans without interest or at a very low rate of interest.

**iv) Land lords**

Landlords are also providing loans to small as well as marginal farmers and tenants to fulfill their financial needs. This source of credit includes all the ill practices associated with moneylenders, traders, etc. Landlords are taking very high rate of interest and landless agricultural labourers are often forced to work as a bonded labour.<sup>14</sup>

It can be noticed briefly here that village moneylenders have a special characteristics which enable them to occupy an important place among the cultivators and able to provide services to loan seekers. The reasons for which the moneylenders can dominate other agencies are as follows-

- i) Normally, the moneylenders are local persons and they have a clear picture of local situation and on debtors. They have a perfect knowledge and can understand the main motive of borrowers and their repaying capacity of loans.
- ii) Moneylenders can easily tackle any problem and can adjust themselves with a changing situation. There is no any rigid rule associated with credit delivery system. All rules are flexible according to needs with changing situation.
- iii) There is no any high power authority to implement a special rule like financial institutions and they are free to change the credit delivery procedure as per needs.
- iv) Farmers can meet the village moneylenders at any time without any difficulties because they have no any special office time.
- v) Moneylenders do not take any property as a mortgage or security against a loan.
- vi) Borrowers are able to receive their loans within a very short period of time without delay.
- vii) Cultivators need not submit the utilization of borrowed fund which is released for productive and unproductive purposes.

On account of these reasons, moneylenders have occupied a special place in the agricultural sector for long time. Farmers need not to repay the principal amount after payment of interest. Moneylenders keep friendly relationship with borrowers and even share their family occasions. After all, the co-ordination of moneylenders cannot be neglected in the situation where banking institutions are completely absent and it is not a matter of fact of high rate of interest where no financial institution have provided loans to them.

It is a fact that private agencies are the main sources of agricultural credit in some backward areas. However, they are not free from various limitations. The

moneylenders are doing ill practices as a monopolist in the field of agricultural credit which is possible only due to illiteracy and poor economic condition of cultivators. They exploit the poor farmers by charging high rate of interest and ultimately, cultivators are in debt-trap and create vicious circle of poverty. The following loopholes are generally associated with the village moneylenders-

- a) The noninstitutional sources are taking high rate of interest from the poor farmers as private agencies are the only sources of credit in some remote areas and are playing monopoly role in case of farm finance.
- b) The private agencies are advancing loan without any primary investigation or schemes. As a result, farmers are taking loan unnecessarily for unproductive purposes which may causes of rural indebtedness.
- c) During the time of repayment of debt, the borrowers are forced to sell their product (crops) before maturity to the mahajans at very low prices and they need to purchase their requirements at high prices.
- d) Sometimes, private agencies collect fees from farmers for charity, temple, salami, document writing etc. which go to the hands of borrower otherwise.

Cultivators are exploited by moneylenders through exorbitant rate of interest and they are not in a position to pay high rate of interest and the principal amount or even lose their land. Farmers are living under heavy pressure of debt. All the activities of moneylenders should be controlled and the financial institution should be available to provide loan for farmers and then only it will be possible to improve economic conditions of farmers.<sup>15</sup>

From the study analysis of this chapter, it can be understood that agricultural credit is an important weapon in the upliftment of agricultural sector. Private money lending agencies are still functioning as substitutes of institutional credit which is not good from the social welfare point of view. Thus, institutional credit should be sufficient as to meet all the requirement of agriculturists for production purposes. Village money lender plays an active role in the field of supplying loan to rural poor and marginal farmers unless and until bank branches are opened completely in all unbanked and remote areas in Assam and banks make easy system of lending, process

of repayment period, and requirement of security against credit sanction. Hence, spreading of financial institutions in all the corners of the country is utmost important from the social and economic point of view.

**References:**

1. Rajkumar, K. P., Agricultural Finance in India, New Century Publications, New Delhi, July, 2008, pp- 58-60.
2. Dhar, P.K, Indian Economy, Kalyani Publishers, 2006, pp. 270-271.
3. Ibid 1, pp. 62-63.
4. Ibid 1, pp. 64-65
5. Ibid 2, p-273.
6. Agrawal, A. N., Indian Economy, Wishwa Prakashan, New Delhi, 1995, pp. 266-267.
7. Daimari, P., Economic Development of Assam, EBH Publishers, Guwahati, 2008, pp. 197-206.
8. Economic Survey, Directorate of Economics and Statistics, Assam, 2016-17, pp- 189-193.
9. Ibid 1, p-90.
10. Ibid 8, pp-197-198.
11. Dhar, P. K., The Economy of Assam, Kalyani Publishers, 2016, pp-193-194.
12. Barman, R. & Chanu, D. I., Micro Finance India-Some issues, in Das, S.K., & Das, S.K., (ed), Micro Finance and Indian's Rural Economy, New Century Publication, New Delhi, 2011, pp- 29-30.
13. Ibid 8, pp- 195-196.
14. Datt, G. & Mahajan, A., Indian Economy, S. Chand & Company PVT. LTD., New Delhi, 2016, pp-621-622.
15. Internet.

## CHAPTER V

### **Impact of Agricultural Credit on the Socio-Economic Condition of Agriculturists in Assam**

#### **5.1: Introduction**

Agricultural sector provides livelihood to majority of the rural people in Assam. It occupies an important place in the rural economy and plays an active role in the process of upliftment of rural economy for which it is regarded as the backbone of a backward economy. Development of agriculture sector is most essential for the development of industrial sector because agricultural sector is the principal source of supplying raw materials to industrial sector. Agriculture contributes a major share of national income of India and it also plays the dominant part in the foreign trade of India. Agricultural sector provides foodgrains to people. Thus, agriculture is the main root for the socio-economic development of rural masses. The living conditions of farmers are directly depending on production level of agricultural sector.<sup>1</sup>

In Assam, the economic conditions of farmers are very poor and they don't have sufficient funds for investment in agriculture sector for which quantity of production is very low. Hence, loan for agriculture is considered as one of the most important requirements for conducting agricultural activities. There is a positive relationship between agricultural credit and volume of production and productivity of agricultural sector. Thus, there is a positive impact of agricultural credit on the socio-economic condition of farmers.<sup>2</sup>

The Banking institutions such as commercial banks, co-operative bank and Regional Rural Banks (RRBs) are the main sources of agricultural credit in India. The expansion of banking network is important for the development of rural economy in India. The high growth rate of an economy is possible only by developing rural backward sectors and by improving agricultural sectors. Thus, the poor farmers need

financial assistance for operating agricultural activities which ultimately effect on the economic life of rural people.<sup>3</sup>

The agricultural credit impacts on economic factors in such way that the growth of agricultural sector increases the share of it to national income. According to Central Statistical Organisation (CSO), the share of agriculture into GDP of India was 56.5 percent during 1950-51 and 13.9 percent in 2013-14. Agriculture also contributes to the field of international trade of India. India exports agricultural products such as tea, sugar, tobacco, spices, oilseeds etc and earns 14.2 percent of total export during 2013-14.<sup>4</sup> The agricultural sector impacts on social factors with the association of Regional Rural Banks in such a way that rural handicrafts are based on agricultural product. Rural people also continue their agro-based cottage industries by taking loans from the financial institutions. Co-operative societies are rural organisations which are most important for women to get engagement. These societies are running with the help of financial institutions<sup>5</sup> In this chapter, we have made an attempt to analyse the various impact of agricultural credit on average monthly income, household assets position, various inputs of agricultural activities, residential house and other living condition of farmers during pre-loan period and post loan period in the study area.

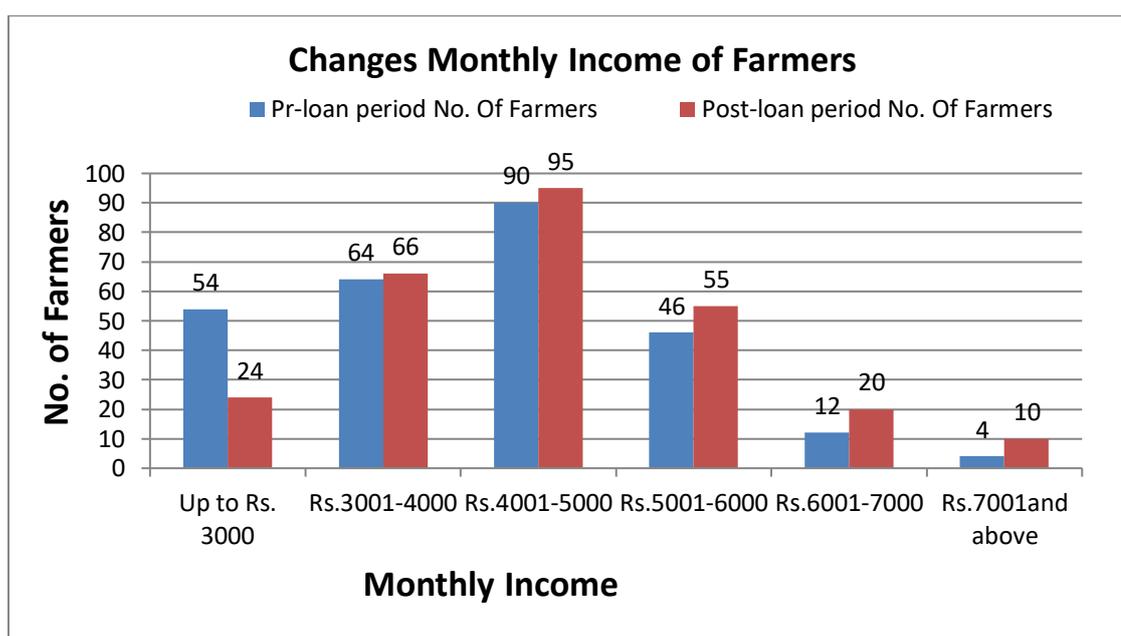
## **5.2: Changes in Monthly Income of Farmers**

In Assam, majorities of farmers are very poor and they are unable to invest sufficient amount required for production activities because most of the farmers' income is just a subsistence level. The adequacy and timely credit facilities play a significant role in improving agricultural sector and increasing productivity. For analysing the impact of credit on monthly income of farmers, the monthly income of farmers during pre-loan period has been compared with monthly income of the post-loan period. The table-5.1 shows the changes in monthly income of farmers during the post-loan period.

**Table-5.1: Changes in Monthly Income of Farmers**

Monthly Income	Pre-loan period		Post-loan period		Difference of percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Up to Rs. 3000	54	20.00	24	8.89	-11.11
Rs.3001-4000	64	23.70	66	24.44	.74
Rs.4001-5000	90	33.33	95	35.19	1.86
Rs.5001-6000	46	17.04	55	20.37	3.33
Rs.6001-7000	12	4.45	20	7.41	2.96
Rs.7001and above	04	1.48	10	3.70	2.22
Total	270	100	270	100	

Source: Field Survey, 2018

**Figure- 5.1: Changes in Monthly Income of Farmers**

The table-5.1 shows that number of farmers having monthly income level up to Rs. 3000 had decreased from 54 nos of agriculturists before loan to 24nos of agriculturists after loan. The percentage of farmers had reduced from 20 percent during pre-loan period to 8.87 percent during post-loan period. The percentage of farmers having monthly income in the range of Rs. 3001-4000 had increased slightly from 23.70 percent to 24.44 percent during post-loan period over pre-loan period. In the range of monthly income 4001-5000 and 5001-6000, the percentage of

agriculturists had increased from 33.33 percent to 35.19 percent and from 17.04 percent to 20.37 percent during post-loan period over pre-loan period respectively. In the monthly income level 6001-7000 and 7001 and above, the percentage of farmers had increased from 4.45 percent to 7.41 percent and 1.48 percent to 3.70 percent in the post-loan period.

ANNOVA were run to test the difference between pre-loan income and post-loan income of 270 households. The F ratio is found to be 15.172 which is significant at 0.01 level. Thus, the finding rejects the null hypothesis of no significant difference between pre-loan and post loan income of farmers and conclude that the income level of the households of farmers have increased substantially after availing loan. The detail result of ANNOVA is presented in the table 5.1.a and 5.1.b

**Table: 5.1.a :Test of Homogeneity of Variances**

income

Levene Statistic	df1	df2	Sig.
3.350	1	538	.068

**Table 5.1.b : ANOVA**

Table 5.1.b : ANOVA					
income					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.192E7	1	2.192E7	15.172	.000
Within Groups	7.773E8	538	1444877.874		
Total	7.993E8	539			

### 5.3: Changes in Monthly Consumption Expenditure

Consumption is an increasing function of income. Income and consumption changes in the same direction. When income raises consumption also increases and vice versa.

The table 5.2 shows the changes in expenditure on consumption as per variation of monthly income.

**Table-5.2: Changes in Monthly Consumption Expenditure of Farmers**

Monthly Expenditure on Consumption	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Up to Rs. 3000	54	20	50	18.52	-1.48
Rs.3001-4000	66	24.44	60	22.22	-2.22
Rs.4001-5000	104	38.53	114	42.23	3.70
Rs.5001-6000	34	12.59	34	12.59	0
Rs.6001-7000	8	2.96	8	2.96	0
Rs.7001and above	4	1.48	4	1.48	0
Total	270	100	270	100	

Source: Field Survey, 2018

**Figure- 5.2: Changes in Monthly Consumption Expenditure.**

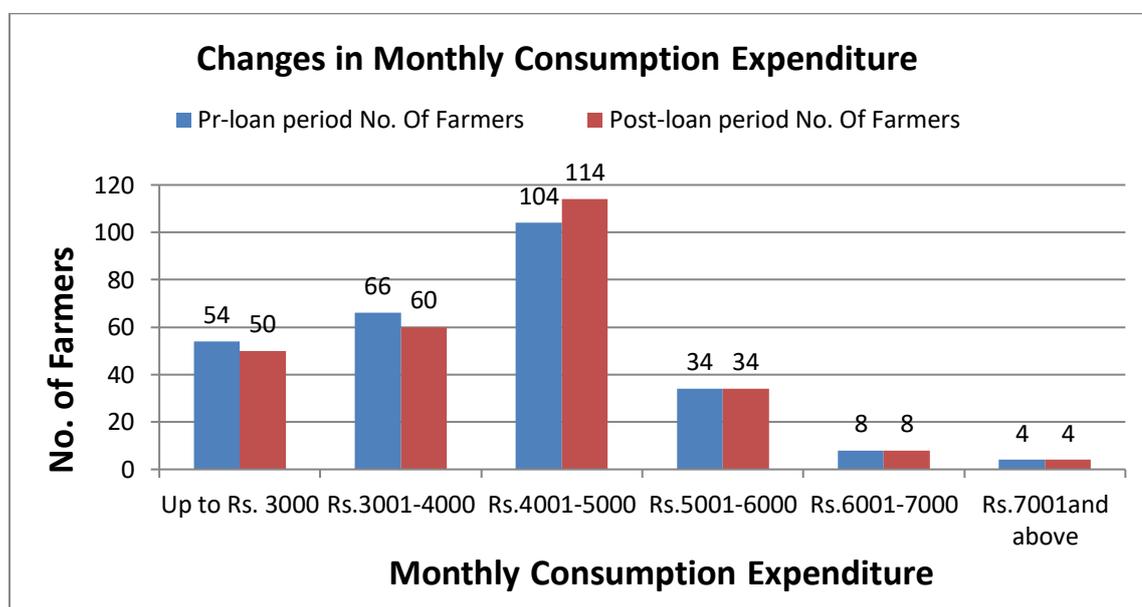


Table-5.2 shows that monthly expenditure on consumption of 20 percent farmers was up to Rs. 3 thousands in the pre-loan period and it was reduced to 18.52 percent of farmers during post-loan period. Monthly expenditure amount on

consumption between the ranges of Rs. 3001 to Rs.4000 was 24.44 percent of farmers in the period of before loan which was reduced to 22.22 percent during post-loan period. The percentage of farmers having monthly expenditure on consumption ranging between Rs. 4001-5000 had increased from 38.53 percent in the pre-loan period to 42.23 percent during post-loan period. The percentage of agriculturists occurring monthly expenditure on consumption purposes in the range of Rs.5001-6000, Rs. 6001-7000 and expenditure above 7 thousands was remained same, i.e. 12.59 percent, 2.96 percent and 1.48 percent respectively. It has been observed from the study that the percentage of farmers having lower monthly consumption expenditure had changed a little but the percentage of farmers occurring high level expenditure on consumption had remained same during pr-loan and post-loan period.

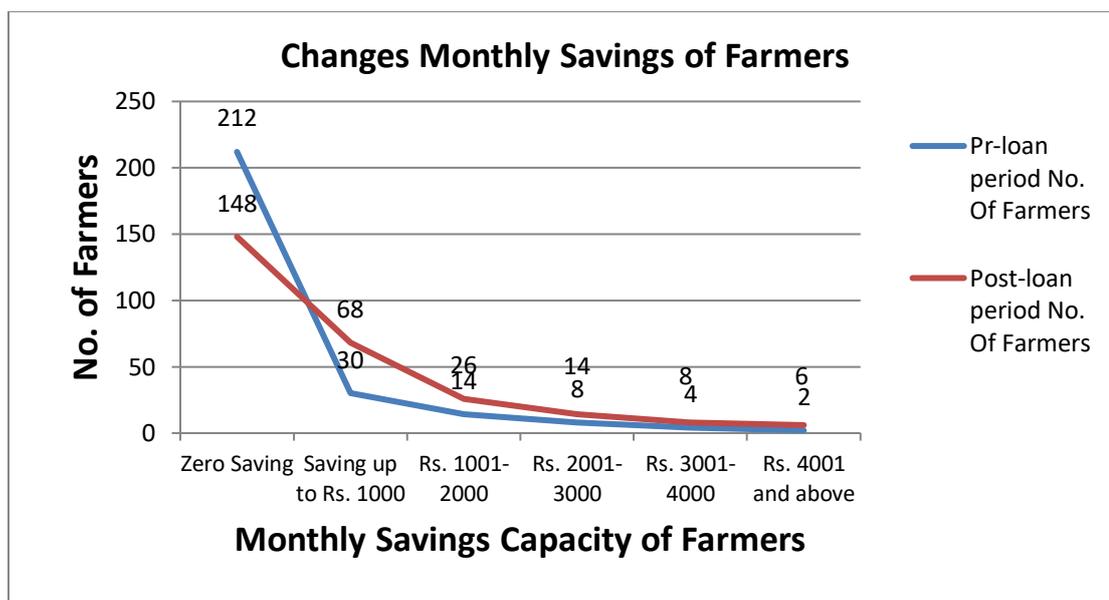
#### **5.4: Changes in Monthly Savings Capacity of Agriculturists**

People want to save money out of income for the safety from unforeseen contingencies in future. Saving always depends on income level and amount of expenditure. Agricultural credit facilities increase money income of farmers and establish a good relation between agriculturists and various financial institutions which induces poor farmers to make savings out of their monthly income. The changes in monthly savings position of farmers during post-loan period over the pre-loan period have been shown in table-5.3 below

**Table-5.3: Changes in Monthly Savings Capacity of Agriculturists**

Monthly Savings Capacity of Farmers	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Zero Saving	212	78.52	148	54.81	-23.71
Saving up to Rs. 1000	30	11.11	68	25.19	14.08
Rs. 1001-2000	14	5.19	26	9.63	4.44
Rs. 2001-3000	08	2.96	14	5.19	2.23
Rs. 3001-4000	04	1.48	08	2.96	1.51
Rs. 4001 and above	02	0.74	06	2.22	1.48
Total	270	100	270	100	

Source: Field Survey, 2018

**Figure- 5.3: Changes in Monthly Savings Capacity of Agriculturists**

The above table- 5.3 shows that the percentage of farmers having zero savings had diminished from 78.52 percent in the pre-loan period to 54.81 percent during post-loan period. The percentage of farmers having monthly saving capacity up to Rs. 1000 had increased from 11.11 percent in the pre-loan period to 25.19 percent during post-loan period. The percentage of farmers having monthly income in the range between Rs. 1001-2000, Rs 2001-3000, Rs.3001-4000 and Rs. 4001 and above had increased from 5.19 percent to 9.63 percent, from 2.96 percent to 5.19 percent, from 1.48 percent to 2.96 percent and from 0.74 percent to 2.22 percent respectively in the post-loan period over the pr-loan period. It has been found from the study area that though the percentage of farmers having zero savings had decreased in the post-loan period over the pr-loan period, yet, a substantial part of this backward class having zero savings. It has also been observed that the percentage of farmers having more saving capacity had increased a little. There is actually no drastically change of saving capacity of farmers for accessing agricultural credit.

### **5.5: Changes in Landholding Position of Farmers**

Land is the primary requirement of farmers for agricultural activities. The changing scenario of economic status of farmers depends on agricultural productivity which also depends on landholding position of farmers. The landholding positions of farmers have been shown in table-5.4.

**Table-5.4: Changes in Landholding Position (in bigha)**

Land holdings (in Bigha)	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
0--3	98	36.30	98	36.30	
3-6	100	37.04	100	37.04	0
6-9	26	9.63	26	9.63	0
9-12	22	8.15	22	8.15	0
12-15	12	4.44	12	4.44	0
15 and above	12	4.44	12	4.44	0
Total	270	100	270	100	

Source: Field Survey, 2018.

The table-5.4 reveals that landholding position of farmers had remained same during pre-loan and post-loan period of time. There is not any impact of credit falls on landholding position of farmers. The table has shown that in the study area maximum farmers are in the group of small and marginal farmers and only 4.44 percentages of farmers having landholding position 15 bigha and above. From the study, it has been found that poor farmers are not able to purchase land in the post-loan period because insufficient loan amount was sanctioned to them,

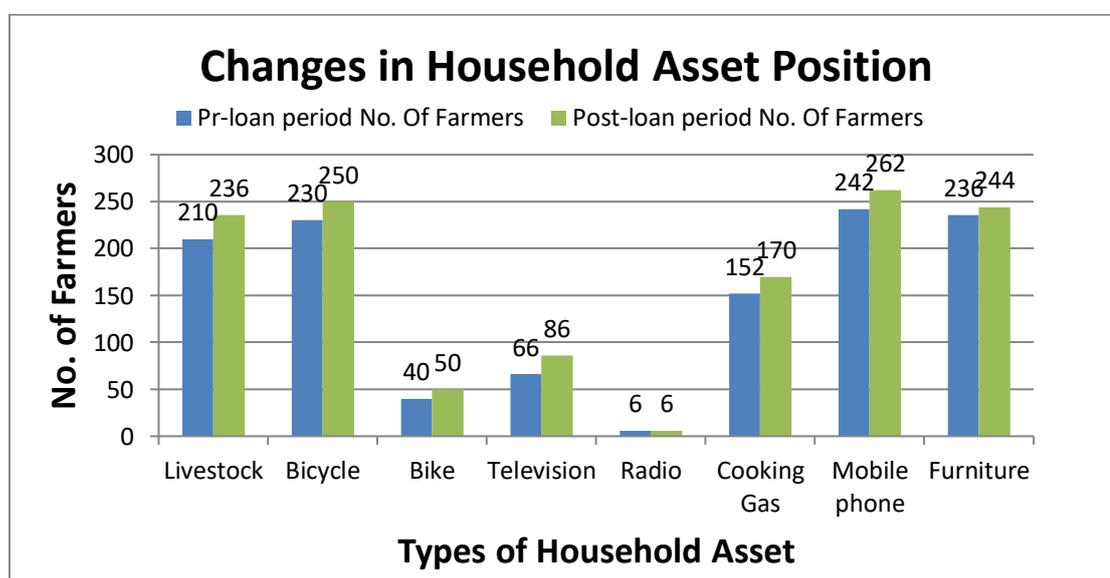
### **5.6: Changes in Household Asset Holding Position**

The most important productive assets for the source of income in rural household are livestock such as cow, bullock, buffalo, poultry, goat, sheep, piggery, horse, etc. The study reveals that in the study area, some farmers are able to purchase livestock which are the source of income of farmers' family. However, the farmers are also able to purchase consumer durable assets such as bicycle, television, bike, mobile phone, cooking gas, furniture etc. The table-5.5 shows the changes in household asset holding position of farmers' family after taking loan.

**Table- 5.5: Changes in Household Asset Holding Position**

Types of Asset	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Livestock	210	77.78	236	87.41	9.63
Bicycle	230	85.19	250	92.59	7.4
Bike	40	14.81	50	18.52	3.71
Television	66	24.44	86	31.85	7.41
Radio	06	2.22	06	2.22	0
Cooking Gas	152	56.30	170	62.96	6.66
Mobile phone	242	89.63	262	97.04	7.41
Furniture	236	87.41	244	90.37	2.96

Source: Field Survey, 2018

**Figure- 5.4: Changes in Household Asset Holding Position**

The table-5.5 shows that the percentage of farmers having livestock had increased from 77.78 percent to 87.41 percent during post-loan period over pre-loan period of time. The percentage of bicycle, bike and television holder farmers had increased from 85.19 percent, 14.81 percent and 24.44 percent to 92.59 percent, 18.52 percent and 31.85 percent respectively during post-loan period over pre-loan period. The

percentage of farmers having radio had not changed during post-loan period. The percentage of farmers holding cooking gas, mobile phone and furniture had increased from 56.30 percent, 89.63 percent and 87.41 percent to 62.96 percent, 97.04 and 90.37 percent respectively during post-loan period over pre-loan period. The percentage of farmers having cooking gas had increased excessively due to central Government scheme of free cooking gas connection for domestic uses to those people who are living below poverty line. From the study, it can be understood that the household asset holding position had increased a little which is actually not sufficient to improve the living standard of rural poor people.

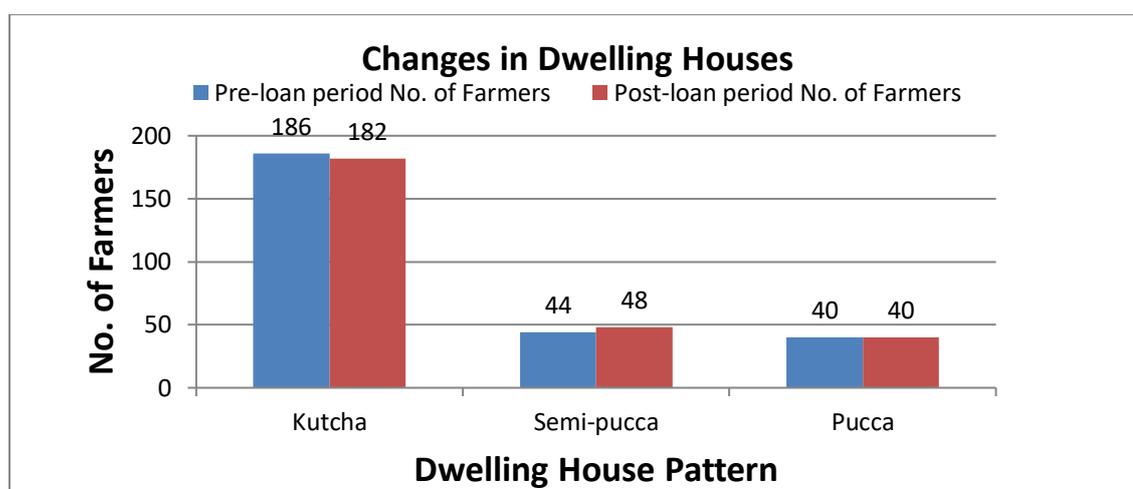
### 5.7: Changes in Dwelling Houses

A well facilitated house is one of the prime requirement assets for a family which provides shelter to family members. The structure of dwelling house is one of indicator of social status and economic conditions of a family. Generally, on the basis of income, people constructed their living houses in three types such as kutcha, semi-pucca and pucca. In rural areas, economically poor farmers are living in kutcha and semi-pucca houses. The changes of dwelling houses of farmers during the time between pre-loan and post-loan period in the study areas has been shown in the table-5.6.

**Table-5.6: Changes in Dwelling Houses**

Dwelling House Pattern	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Kutcha	186	68.89	182	67.41	-1.48
Semi-pucca	44	16.30	48	17.78	1.48
Pucca	40	14.81	40	14.81	0
Total	270	100	270	100	

Source : Field Survey, 2018

**Figure- 5.5: Changes in Dwelling House**

The table-5.6 reveals that the structure of dwelling houses of farmers had changed a little extent during post-loan period. The farmers having semi-pucca houses had increased a negligible percentage from 16.30 percent to 17.78 percent during post-loan period over pre-loan period and farmers having Kutchha houses had reduced a little from 68.89 percent to 67.41 percent during the same period of time. But the farmers having pucca houses had not changed during post-loan period. The study shows that in the study areas, maximum farmers are living in kutchha houses, i.e. 182 nos of farmers out of 270 nos of farmers and 48 nos of farmers in semi-pucca houses and only 40 nos. of farmers are living in pucca houses.

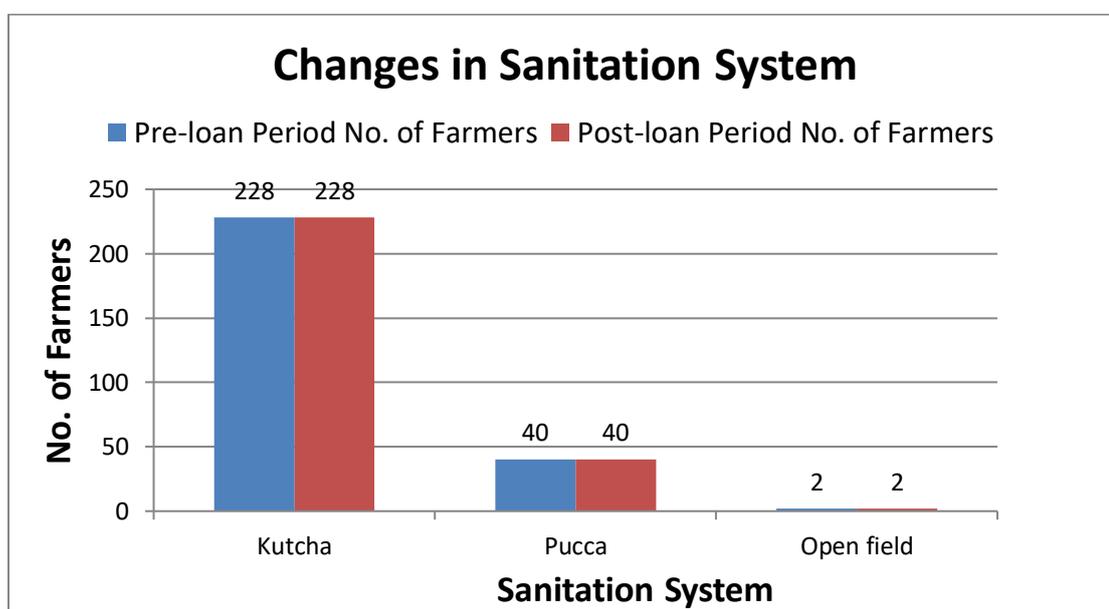
### 5.8: Changes in Sanitation System

A good modern type of sanitation facility is important for the protection of hygienic environment and to protect the society from diseases. In rural areas, due to insufficient income, most of the people use kutchha toilet and even use open field also. Small number of people use pucca toilet. In this regard, Govt. scheme plays an important role to provide sanitation facility to farmers. The sanitation facility of farmers in the study areas have been shown in the table-5.7.

**Table-5.7: Changes in Sanitation System**

Sanitation System	Pre-loan Period		Post-loan Period		Difference in Percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Kutcha	228	84.44	228	84.44	0
Pucca	40	14.82	40	14.82	0
Open field	02	0.74	02	0.74	0
Total	270	100	270	100	

Source : Field Survey, 2018

**Figure- 5.6: Changes in Sanitation System**

The table-5.7 reveals that there is not any fundamental impact of credit on sanitation facilities in rural areas. The farmers using kutcha toilet had remained same percentage before loan and after loan, i.e. 84.44 percent of farmers' family and 14.82 percent farmers using pucca toilet in pre-loan and post-loan period. The farmers using open field are 0.74 percent which is less than 1 percentage in the same period of time. The study shows that in the study areas, there is not any significant change in using sanitation facilities in rural areas.

## 5.9: Changes of Drinking Water Facilities

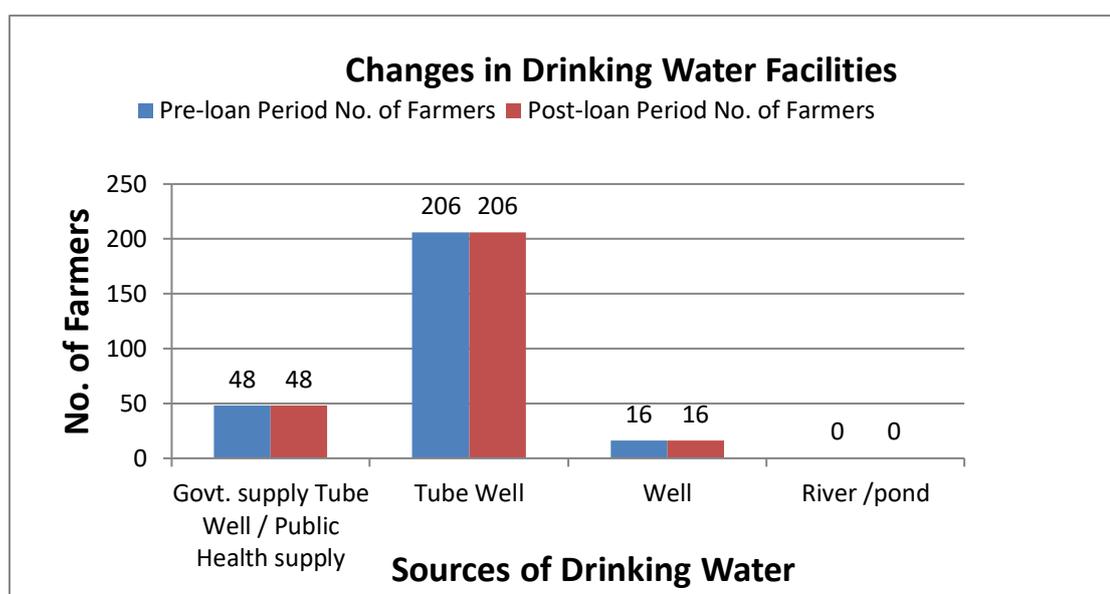
Pure drinking water is an important pre-requisite for human being. Large numbers of people are suffering from water born diseases in our country. The table-5.8 shows the changes in drinking water facilities in rural areas of Assam.

**Table-5.8: Changes of Drinking Water Facilities**

Drinking water facilities	Pre-loan Period		Post-loan Period		Difference in Percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Govt. supply Tube Well / Public Health Water supply	48	17.77	48	17.77	0
Own Tube Well	206	76.30	206	76.30	0
Well	16	5.93	16	5.93	0
River /pond	0	-	0	-	-
Total	270	100	270	100	

Source : Field Survey, 2018

**Figure- 5.7: Changes of Drinking Water Facilities**



The table-5.8 shows that there is not any significant impact falls on drinking water facilities in rural areas. The percentage of farmers depending on Govt. supply tube-

well or public health water supply is 17.77 percent in the time between ‘before’ and ‘after’ taking loan. The highest percentage of farmers using their own tube-well as a source of drinking water is 76.30 percent and only 5.93 percent farmers depend on well as a source of their drinking water in pre-loan and post-loan period of time. The study reveals that in the study area, no one has depended on open sources such as river or pond as a source of drinking water which was the main source of drinking water once upon a time.

### 5.10: Changes in Connection of Electricity Facility of Farmers

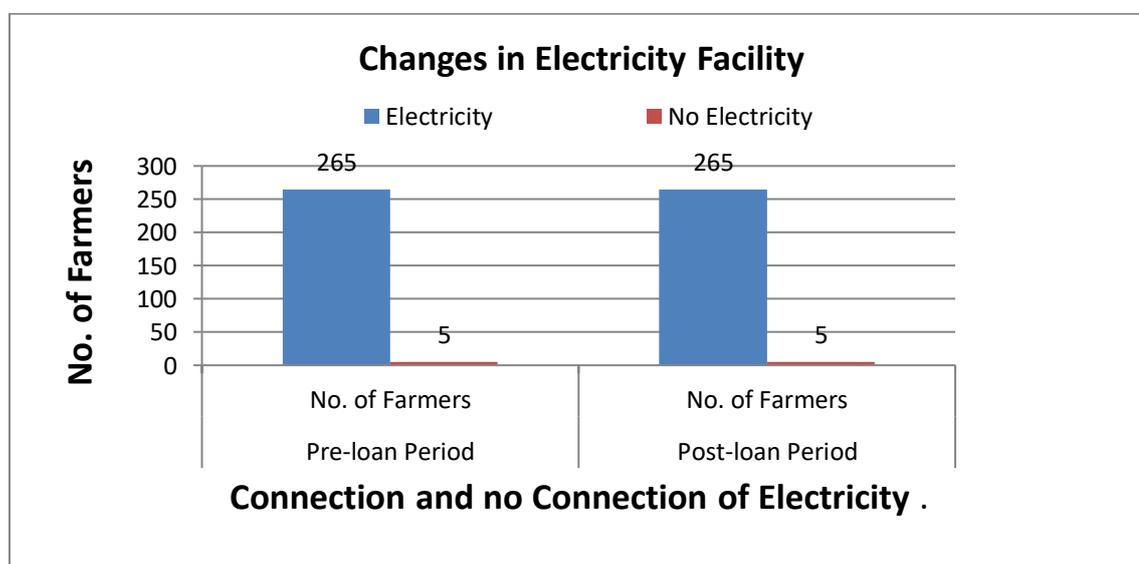
Electricity is the highest useable source of energy without which modern life is impossible. Electricity is essential in all spheres of life. The table-5.9 shows the changes in electricity facility of farmers.

**Table-5.9: Changes in Connection of Electricity.**

Electricity Facility	Pre-loan Period		Post-loan Period		Difference in Percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Electricity	265	98.15	265	98.15	0
No Electricity	5	1.85	5	1.85	0
Total	270	100	270	100	

Source: Field Survey, 2018

**Figure- 5.8: Changes in Electricity Facility**



The table-5.8 reveals that the farmers having connection of electricity is 98.15 percent in pre-loan and post-loan period and only 1.85 percent had remained without electricity connection. Indian Government provided free connection of electricity facility to all people who are living below poverty line. Thus, it shows that in the study area, agricultural credit has no any significant impact on accessing electricity facility.

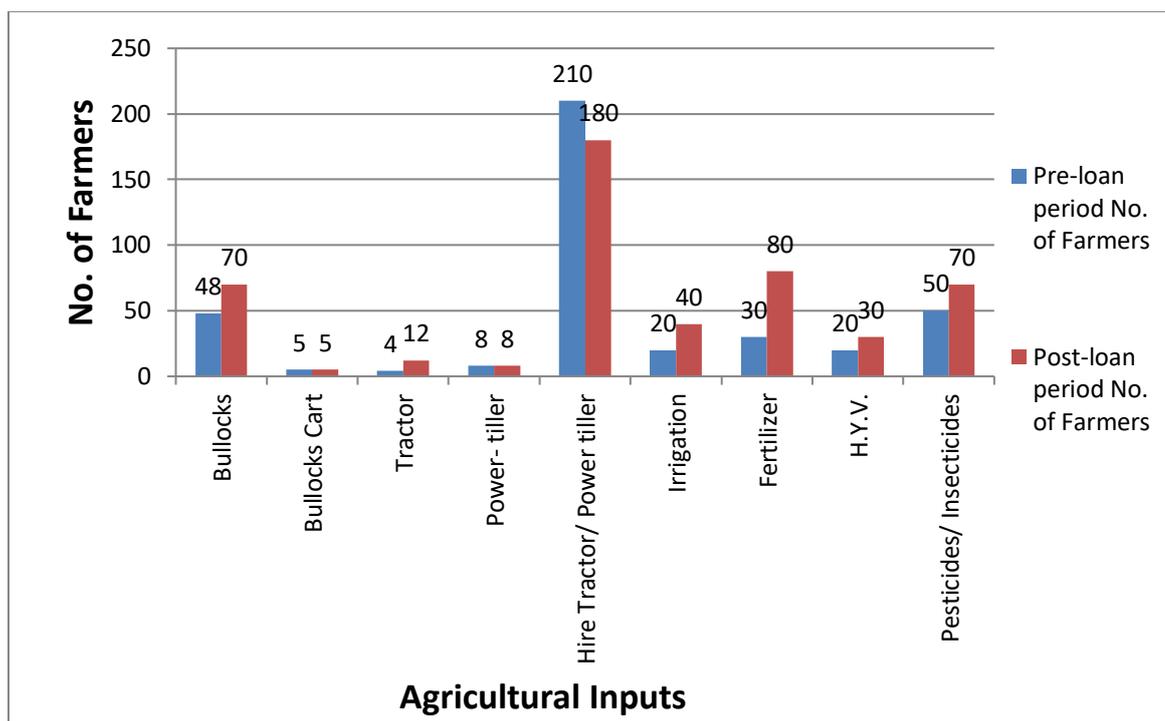
### 5.11: Changes in Agricultural Inputs

Agriculture is the main source of livelihood of rural people of Assam. But this sector is very backward and low productive. The Agriculturists always suffer from scarcity of agricultural implements. The table-5.10 shows the changes in agricultural inputs during post-loan period over pre-loan period of time.

**Table-5.10: Changes in Agricultural Inputs.**

Agricultural Inputs	Pre-loan period		Post-loan period		Difference in percentage
	No. of Farmers	Percentage of Farmers	No. of Farmers	Percentage of Farmers	
Bullocks	48	17.78	70	25.93	8.15
Bullocks Cart	05	1.85	05	1.85	0
Tractor	04	1.48	12	4.44	2.96
Power- tiller	08	2.96	08	2.96	0
Hire Tractor/ Power tiller	210	77.78	180	66.67	-11.11
Irrigation	20	7.40	40	14.81	7.41
Fertilizer	30	11.11	80	29.63	18.52
H.Y.V.	20	7.40	30	11.11	3.71
Pesticides/ Insecticides	50	18.51	70	25.93	7.42

Source : Field Survey, 2018

**Figure- 5.9: Changes in Agricultural Inputs**

The table-5.10 shows that the farmers having bullocks have increased from 17.78 percent to 25.93 percent during post-loan period over pre-loan period and 1.85 percent farmers have bullocks cart which agricultural implement is going to be outdated at present. The farmers having tractor have increased from 1.48 percent to 4.44 percent during post-loan period over pre-loan period and the owner of power tillers are 2.96 percent in the time period between pre-loan and post-loan period. The farmers use hire tractor or power tiller have reduced from 77.78 percent to 66.67 percent in the post-loan period over the pre-loan period. The farmers having irrigation facilities have increased from 7.40 percent to 14.80 percent during post-loan period over pre-loan period of time. The farmers use fertilizer, H.Y.V. seeds and pesticides or insecticides have increased from 11.11 percent to 29.63 percent, from 7.40 percent to 11.11 percent and from 18.51 percent to 25.93 percent respectively during post-loan period over pre-loan period of time. The study shows that in the study area, the impact of agricultural credit falls on a little segment of farmers regarding uses of agricultural implements because during post-loan period only 8.15 percent additional farmers purchased bullock and bullock cart remained same during the period. The most important implement of agriculture sector is tractor at present which is

purchased only 8 additional farmers during post-loan period. The additional user farmers of irrigation facilities, fertilizer, HYV seeds and pesticides or insecticides have increased only 7.41 percent, 18.52 percent, 3.71 percent and 7.42 percent during post-loan period which are actually not significant impact of agricultural credit on agricultural sector.

Agricultural sector is the main source of livelihood for the rural people in Assam. In Assam, agricultural sector is unproductive and neglected. Agriculturists are not able to produce sufficient amount due to their insufficient fund to invest in productive activities. In this regard, financial institutions play a significant role by providing fund to poor farmers. This shows that in the study area, a partial impact falls on socio-economic development of poor farmers. During the period of field survey, it is observed that maximum numbers of agriculturists are not able to maintain their standard of living due to low income. Their productivity is low. They use traditional and outdated technique of production in agricultural sector which is due to insufficient fund. The financial institution has provided credit to poor farmers which are actually not sufficient to improve their agricultural sector. Hence, sufficient agricultural credit is the main strength to rural poor for socio-economic development and for improving their living standard.

**References**

1. Patro, K., Role of Institutional Finance in Agriculture : A Study in India, in Misra, R.N., (Ed), Banks for Rural Development, Sonali Publication, New Delhi, 2007, pp.-21-22.
2. Bisoyi, P.L.and Misra, R.N., Agricultural Credit and Economic Development in India, , in Misra, R.N., (Ed), Banks for Rural Development, Sonali Publication, New Delhi, 2007, pp.-98-99.
- 3.Kushwaha,P., Economic and Social Impact of Regional Rural Banks (RRBs), in Agrawal,M., Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications PVT,LTD., New Delhi, 2010, p. 157.
4. Datt, G. and Mahajan, A., Datt and Sundharam's Indian Economy, S. Chand and Company PVT. LTD., New Delhi, 2016, pp. 32-33.
5. Ibid 3, pp. 158-159.

## CHAPTER VI

### **Agricultural Credit and Assam Gramin Vikash Bank (AGVB)**

#### **6.1: Introduction**

The financial sector is playing an active role in the economic development of a country. The growth rate of an economy at a faster rate is possible only by mobilising savings and properly canalising the funds for more productive activities as well as for consumption purposes which is also indirectly productive. Thus, the expansion of banking network in an economy is important for accelerating the process of growth. The Regional Rural Banks (RRBs) are performing a tremendous role in the development of agricultural sector, small scale and cottage industries, trade and commerce. The RRBs are providing financial assistance to farmers, agricultural labourers, small industries and to all backward sectors in the economy.<sup>1</sup>

The rural banking sector constitutes the main part of the entire financial structure of a country. The RRBs provide sufficient service facilities to the rural people. These services are associated with agricultural activities and agro-based industries. In the earlier times, these financial requirements were supplied by the private money lending agencies who took high rate of interest from borrowers. The commercial banks and the co-operative banks are not able to provide sufficient credit facilities and banking service facilities in some backward and remote areas of India and hence, RRBs are trying to provide sufficient credit facilities in these needy areas.

The Government of India observes that there is a large gap between Institutional credit in rural areas and credit requirement in rural sectors. There is inadequate supply of loans in rural areas. Thus, to find out the way of solution, the government appointed a study group on rural credit, the Narasimham working group in July 1, 1975. The recommendation of the Narasimham committee was passed by the government on September 26, 1975 and it was started from October 2, 1975 which was replaced by the Regional Rural Banks Act, 1976. The Regional Rural Banks were developed by the 50 percent contribution of central government, 35 percent share by

the commercial banks and 15 percent share contributed by the state government with a view to meeting the rural credit requirements in the rural economy.<sup>2</sup>

The main objectives of the establishment of Regional Rural Banks are mentioned as below

- i) To provide sufficient banking facilities to the doorsteps of the rural poor, particularly in those areas where there is no any branch of commercial banks.
- ii) To provide available credit facilities at cheaper rate to the rural poor.
- iii) To create employment opportunities in rural areas by advancing loans to different sectors in village level.
- iv) To mobilise the rural savings in order to use them in productive activities.
- v) To raise the socio-economic conditions of the poor rural poor.

Thus, the Regional Rural Banks expanded the banking network in remote places of Assam and advanced loans to the marginalised sections such as agriculturists, small artisans, traders, small industries etc for the development of their respective working fields. Credit is recognised as an important instrument for the development of weaker sections in the rural economy. As majority of the farmers are small or marginal farmers and they are always suffering from crisis of funds which are required for their agricultural activities. Indebtedness is the basic problem of the poor farmers. The Regional Rural Banks along with commercial banks and co-operative banks are trying to provide sufficient credit facilities to all backward sectors with a view to developing the rural economy of our country.

## **6.2: Historical Development of Regional Rural Banks in Assam**

During the time of independence of India, Assam was economically backward state, situated in the north east region of India. Particularly, financial structure was very poor. Even after six decades of independence, financial institutions couldn't provide banking service in all interior places of Assam. The commercial banks and the co-operative banks were not able to expand their bank branches in all backward areas of Assam. The agriculturists were dependent on village money lenders for loans at an exorbitant rate of interest which was required for agricultural operation. The

Regional Rural Banks were established in Assam with a view to provide sufficient banking facilities in rural areas of Assam.

There were five Regional Rural Banks in Assam till the end of 2005. These RRBs were, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank, Subansiri Gaonlia Bank and Langpi Dehangi Rural Bank. The Langpi Dehangi Rural Bank is expanding the banking network and providing banking services in the entire two hill districts of Karbi Anglong and N.C. Hills of Assam. This bank is sponsored by the State Bank of India. The other four RRBs namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank and Subansiri Gaonlia Bank expanded their banking services in all rural places of Assam under the sponsoring agency of United Bank of India. These RRBs were very active in mobilising savings of rural people and advancing credit facilities to poor farmers and small artisans in village areas.

A brief summary of these five RRBs, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank, Subansiri Gaonlia Bank and Langpi Dehangi Rural Bank are discussed below-

### **6.2.1: Pragjyotish Gaonlia Bank (PG Bank)**

Pragjyotish Gaolia Bank was set up on July 6, 1976, under the Regional Rural Bank Act, 1976, section 3(i). The Head Office of this bank was situated at Nalbari, Nalbari district of Assam. The Pragjyotish Gaonlia Bank was regulated and permitted to perform financial business under section 6(i) of the banking regulation Act, 1949.

The first Regional Rural Bank in Assam was Pragjyotish Gaonlia Bank which was twenty in all over India. This bank expanded its branches to 13 districts of Assam, namely, Nalbari, Kamrup (rural), Kamrup (metro), Sonitpur, Darrang, Barpeta, Bongaigaon, Kokrajhar, Chirang, Baksa, Udalguri, Dhubri and Goalpara.

As per Pragjyotish Gaonlia Bank's Annual Report, 2005, this bank opened total 163 branches in 13 districts of which 126 branches were situated in rural areas, 20 branches in semi urban and 17 branches in urban places. Total deposited money of this bank was Rs. 958.52 crore and total outstanding was Rs. 474.35 crore. Total credit deposit ratio was 49 percent. Total 9552 numbers of Self Help Groups were

connected with this bank and total 21053 Kishan Credit Cards were issued to farmers by Pragjyotish Gaonlia Bank as on 30 september, 2005. <sup>3</sup>

The Pragjyotish Gaonlia Bank was playing a crucial role in the development of backward sectors in the rural economy by providing financial facilities to marginal and small farmers, village artisans, small entrepreneurs, traders and village industries. The government of Assam awarded this bank three times from the year 1999 to 2002 for its best performance in SHGs Banks linkage programme.

### **6.2.2: Lakhimi Gaonlia Bank (LG Bank)**

Lakhimi Gaonlia Bank was a Regional Rural Bank of Assam which was set up on 29<sup>th</sup> July, 1980 and jointly sponsored by Indian government, Assam government and United Bank of India. The Head Office of Lakhimi Gaolia Bank was situated at Golaghat, Golaghat district of Assam.

As per the Annual Report of Lakhimi Gaonlia Bank in 2003-04, this bank was functioning in 5 districts with 102 nos of branches, namely, Sivasagar (22 branches), Jorhat ( 16 branches), Golaghat ( 23 branches), Nagaon (30 branches) and Morigaon ( 11 branches). Out of 102 branches, 92 branches were situated in rural areas, 9 branches were in semi-urban places and 1 branch was in urban place. The bank covered total 2000 villages and 46 Community Development Blocks<sup>4</sup>.

As per Annual Report, LGB, 2005, this bank deposited Rs. 386.47 crore and total outstanding was Rs. 159.60 crore. Total credit deposit ratio was 41 percent. Total 6412 numbers of Self Help Groups were connected with this bank and total 13378 nos of Kishan Credit Cards were provided to farmers by Lakhimi Gaonlia Bank.

### **6.2.3: Subansiri Gaonlia Bank (SG Bank)**

Subansiri Gaonlia Bank was introduced on 30<sup>th</sup> March, 1982, under section 3 (i) of Regional Rural Bank Act 1976. The Bank was started as a joint undertaking bank of Indian government, Assam Government and United Bank of India. From the day of inception, the bank was providing its banking services to all weaker sections in backward areas of Assam. The Head Office of this bank was situated at North Lakhimpur and spread its branches in four district namely, Lakhimpur, Dhemaji, Dibrugarh and Tinsukia. At the time of starting of this bank in 1982, Dhemaji was not

separated from Lakhimpur district and Tinsukia was not separated from Dibrugarh district. Thus, initially the bank was rendering its service in two districts only, namely, Lakhimpur and Dibrugarh district of Assam.

As per the Annual Report, 2005 of Subansiri Gaonlia Bank, the bank established total 49 nos of branches of which 42 nos of branches were situated in rural areas, 3 branches were in semi-urban areas and 4 branches were in urban places. Subansiri Gaonlia Bank deposited of Rs. 162.16 crore and advanced outstanding of Rs. 40.04 crore. The Cash Deposit ratio was 25 percent. Total 1410 nos of Self Help Groups were connected with this bank and total 2989 nos of Kishan Credit Cards were provided to poor cultivators by Subansiri Gaonlia Bank.<sup>5</sup>

#### **6.2.4: Cachar Gramin Bank (CG Bank)**

Cachar Gramin Bank was established on 31<sup>st</sup> March, 1981 which was recognised as a joint undertaking bank of Indian government, Assam government and United Bank of India. This bank was introduced under the Regional Rural Bank Act, 1976. The Head Office of Cachar Gramin Bank was situated at Silchar of Cachar district and the Bank was operating its service facilities through opening branches in three districts, namely, Cachar, Karimganj and Hailakandi district of Assam.

The Cachar Gramin Bank advanced financial assistance to poor section such as small and marginal farmers, village artisans, cottage industries and small traders etc for the development of their productive activities. The bank was trying to mobilise the savings of poor masses to productive activities.

As per the Annual Report, 2005, Cachar Gramin Bank, there were 44 branches of Cachar Gramin Bank of which 32 branches were set up in rural areas, 8 branches were in semi-urban areas and 4 branches were in urban places. The Cachar Gramin Bank deposited Rs.226.65 crore and total outstanding was Rs. 84.26 crore. The Cash Deposit ratio of the bank was 37 percent. Total 1992 nos of Self Help Groups were connected with this bank and total 3765 nos of Kishan Credit Cards were provided to agriculturists by the Cachar Gramin Bank. The bank got profit of Rs. 1.78 crore<sup>6</sup>

The performance of Cachar Gramin Bank regarding mobilization of savings, increasing amount of loans advancing and raising the volume of profit was very good

result which was possible only due to active role of working staff and active co-operation from state government, NABARD, RBI, the United Bank of India and customers' support hand.

### **6.2.5: Langpi Dehangi Rural Bank (LDR Bank)**

Langpi Dehangi Rural Bank was set up on 27<sup>th</sup> January, 1982 which was introduced under the Regional Rural Banks Act, 1976. State Bank of India sponsored the Langpi Dehangi Rural Bank. The Head Office of this bank is situated at Diphu, the headquarters of the district of Karbi Anglong. The banking services of the Langpi Dehangi Rural Bank is limited within the two hill districts of Assam, namely, Karbi Anglong and Dima Hasao District (North Cachar Hill District)

As per the Annual Report, 2004-2005 of Langpi Dehangi Rural Bank, there were 43 nos of branches of the LDR Bank of which 39 were situated in rural areas and 4 were in semi-urban places. Total deposited amount of this bank was Rs. 771347 thousand and total outstanding was Rs. 456260 thousand as on 31<sup>st</sup> March, 2005. Total 1818 nos of Self Help Groups were connected with this bank and total 1637 nos of Kishan Credit Cards were provided to agriculturists by the Langpi Dehangi Rural Bank as on 31/06/2005.<sup>7</sup>

The banking network of the LDR Bank was increasing to 53 branches of the bank of which 44 were situated in Karbi Anglong district and 9 branches were established in Dima Hasao District. Total 46 nos of branches of this bank were situated in rural areas and 7 branches were located in semi-urban areas as on 31-03-2013. The deposit amount was also increased to 348.69 crore during the same period. The bank was getting net profit of Rs 6.69 crore at the same time.

The Langpi Dehangi Rural Bank is advancing financial assistance to the weaker sections of rural areas such as marginal and small farmers, small entrepreneurs, small village artisans and traders for developing their productive activities. At present, there are only two Regional Rural Banks in Assam, i.e. Assam Gramin Bikash Bank and Langpi Dehangi Rural Bank. The Assam Gramin Vikash Bank was created by amalgamating four RRBs of Assam except Langpi Dehangi Rural Bank.

### **6.3: Assam Gramin Vikash Bank (AGV Bank)**

Four Regional Rural Banks of Assam, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Lakhimi Gaonlia Bank and Subansiri Gaonlia Bank were amalgamated to reform a new Regional Rural Bank in North East region of India which is known as Assam Gramin Vikash Bank. The bank was established on 12<sup>th</sup> January, 2006; vide Govt. of India's Notification No. F.No. 1 (25) / 2005- RRB, Dated 12-01-2006 as per provision under section 23 (A) of Regional Rural Bank Act, 1976.<sup>8</sup> The Head Office of Assam Gramin Vikash Bank is situated at Bhangagarh, G.S. Road, Guwahati-781005, Assam. The AGV Bank has been providing its banking services in 31 districts out of 34 district of Assam, excepting only three district, namely, Karbi Anglong, West Karbi Anglong and Dima Hasao districts as per 11<sup>th</sup> Annual Report, 2015-16, Assam Gramin Vikash Bank.

Assam Gramin Vikash Bank is trying to uplift the rural economy by providing banking services to agricultural sectors, Industrial sector, trade and other productive activities, specially credit facilities to small and marginal farmers, village artisans, agricultural labourers, Micro, Small and Medium Enterprises, SHGs, etc. and transact business activities as discussed in Section 18 (2) of the RRB Act, 1976 and Section 6(1) of Banking Regulation Act, 1949.

#### **6.3.1: Organisational Structure of Assam Gramin Vikash Bank**

In consideration of the volume of business, area of operation and branch network of Assam Gramin Vikash Bank, Government of India approved NABARD to provide guidelines regarding organisational structure of the AGV Bank vide letter no. NB. IDD. RRCBD/2019/462/2005-06 dated 19-01-2006. As per the guidelines of NABARD, AGV Bank formed three tier structures, namely, Head Office, Regional (Controlling) Offices and Branches. At the time of amalgamation, the Head Office of the AGV Bank was situated at Chandmari, Rajgarh Road, Guwahati-3. After, it was shifted to Bhangagarh, G.S. Road, Guwahati-5 which is existing at present. The Regional Offices of the bank were also extended from 4 nos of offices viz- i) Nalbari ii) Golaghat iii) Silchar iv) Lakhimpur to 7 nos of offices viz- - i) Nalbari ii) Golaghat iii) Silchar iv) Lakhimpur v) Guwahati vi) Kokrajhar vii) Dibrugarh. There are 11 nos

of Area Offices of the bank, namely, Dhubri, Kokrajhar, Barpeta, Mangaldoi, Guwahati, Tezpur, Morigaon, Jorhat, Sivsagar, Nagaon and Dibrugarh.<sup>9</sup>

**6.3.2: The table-6.1 shows the operating areas which are covered by Regional Offices of AGV Bank as per district**

**Table no-6.1: Areas of operation of Regional Offices of AGV Bank.**

Sl. No.	Regional Office	No of District(s) covered	Name of the District and No. of Branches		Total Branch
			Districts	No. of Branches	
1	Nalbari	05	1. Nalbari	18	74
			2. Baksa*	10	
			3. Barpeta	19	
			4. Darrang	15	
			5. Udalguri	12	
2	Golaghat	04	1. Golaghat	25	78
			2. Jorhat	17	
			3. Nagaon	36	
			4. Hojai		
3	Silchar	03	1. Cachar	20	46
			2. Karimganj	17	
			3. Hailakandi	09	
4	Lakhimpur	04	1. Lakhimpur	18	60
			2. Dhemaji	09	
			3. Sonitpur	33	
			4. Biswanath		
5	Guwahati	05	1. Kamrup	18	47
			2. South Kamrup		
			3. Morigaon	13	
			4. Kamrup (Metro)	14	
			5. East Kamrup		
			6. Baksa*	2	
6	Kokrajhar	06	1. Kokrajhar	10	52
			2. Bongaigaon	09	
			3. Chirang	07	
			4. Goalpara	12	
			5. Dhubri	14	
			6. South Salmara		
7	Dibrugarh	04	1. Dibrugarh	16	53
			2. Tinsukia	14	
			3. Sivasagar	23	
			4. Charaideo		
Total		31		410	410

Two (02) branches, viz, Naokata and Dwarkuchi of Baksa district are controlled by the Regional Office, Guwahati. **Source:** 11<sup>th</sup> Annual Report, 2015-16, AGV Bank, P.5.

### 6.3.3: Branch Network

Assam Gramin Vikash Bank has been recognized as the largest Regional Rural Bank of Assam in terms of branch network. The table-6.2 shows the branches of AGV Bank as per population group wise which are as follows

**Table-6.2: Branch Network of AGV Bank**

Sl. No.	District	Rural	Semi-Urban	Urban	Total
1	Nalbari	15	3	-	18
2	Baksa	12	-	-	12
3	Barpeta	14	5	-	19
4	Darrang	13	2	-	15
5	Udalguri	10	2	-	12
6	Golaghat	18	7	-	25
7	Jorhat	12	3	2	17
8	Nagaon	26	10	-	36
9	Hojai				
10	Cachar	16	-	4	20
11	karimganj	13	4	-	17
12	Hailakandi	5	4	-	09
13	Lakhimpur	13	5	-	18
14	Dhemaji	6	3	-	09
15	Sonitpur	29	4	-	33
16	Biswanath				
17	Kamrup	15	2	1	18
18	South Kamrup				
19	Morigaon	12	1	-	13
20	Kamrup (M etro)	3	-	11	14
21	East Kamrup				
22	Kokrajharh	8	2	-	10
23	Bongaigaon	7	2	-	09
24	Chirang	6	1	-	07
25	Goalpara	10	2	-	12
26	Dhubri	9	5	-	14
27	South Salmara				
28	Dibrugarh	10	6	-	16
29	Tinsukia	8	6	-	14
30	Sivasagar	19	4	-	23
31	Charaideo				
Total		309	83	18	410

Source : 11<sup>th</sup> Annual Report, 2015-16, Assam Gramin Vikash Bank, p.6.

The table 6.2 shows that 309 nos of branches out of 410 nos of branches of AGV Bank are situated in rural areas which means that Assam Gramin Vikash Bank has been established with an objective of uplifting the rural economy of Assam by

providing credit facilities to weaker sections in the rural areas of Assam. There are only 18 branches in urban areas and 83 branches are situated in semi-urban areas. Thus, Assam Gramin Vikash Bank is playing a crucial role in the development of rural economy.

### 6.3.4: Share Capital

Assam Gramin Vikash Bank has been established as a bank of joint undertaking of Govt. of India, Govt. of Assam and United Bank of India. The share of capital has remained same from 1<sup>st</sup> Annual Report (Session 2005-2006) to 10<sup>th</sup> Annual Report (Session 2014-2015) and it has been increasing in the 11<sup>th</sup> Annual Report of Assam Gramin Vikash Bank which are shown below in the table 6.3

**Table-6.3: Details of Share Capital Account, (Amount in Rs. thousand)**

Share Holders	Same share capital from 31-03-2006 to 31-03-2015			As on 31-03-2016		
	Issued	Paid up	Calls Unpaid	Issued	Paid up	Calls Unpaid
Govt. of India	20,000	20,000	Nil	448163	448163	Nil
Govt. of Assam	6000	6000	Nil	134448	134448	Nil
United Bank of India	14,000	14,000	Nil	313714	313714	Nil
Total	40,000	40,000	Nil	896325	896325	Nil

Source: Serially, from 1<sup>st</sup> Annual Report, 2005-2006 to 11<sup>th</sup> Annual Report, 2015-16, AGVB. The table 6.3 reveals that Indian Government, Assam Government and the United Bank of India have provided capital as a share amount in proportion of 50 percent, 15 percent and 35 percent respectively.

### 6.3.5: Deposits Level of AGV Bank

Assam Gramin Vikash Bank can successfully increase its deposits amount from the day of inception of the bank. As per 2<sup>nd</sup> Annual Report, 2006-07, AGV Bank, the total volume of deposits of the bank was Rs. 19647272 thousand (15percent growth rate) as on 31-03-2007 which was Rs. 17107462 thousand (6.45 percent growth rate) as on 31-03-2006. As per the 3<sup>rd</sup> Annual Report, 2007-08, the bank recorded in the field of growth rate of deposits level which was Rs. 23669232 thousand (20 percent growth rate) as on 31-03-2008. The 4<sup>th</sup> Annual Report, 2008-09, reveals that the bank could increase its deposits level to Rs. 28815275 thousand (21.74 percent growth rate) as on 31-03-2009. During this period Kokrajhar Branch

office was recognised as excellent team work due to deposited amount crossed Rs. 100 crore. In the 5<sup>th</sup> Annual Report, 2009-10, it is recorded that the volume of deposits of the bank was increased to Rs. 34623492 thousand (20.16 percent growth rate) as on 31-03-2010. As per 7<sup>th</sup> Annual Report, 2011-12, the total deposited amount was Rs. 48831890 thousand (11.58 percent growth rate) as on 31-03-2012 against Rs.43764005 thousand (26.39 percent growth rate) as on 31-03-2011. In the 8<sup>th</sup> Annual Report, 2012-13, it was recorded that total deposits was Rs. 55313008 thousand (13.27 percent growth rate) as on 31-03-2013. In the 9<sup>th</sup> Annual Report, 2013-14, shown the deposits amount Rs. 64299678 thousand (16.25 percent growth rate) as on 31-03-2014. AS per 10<sup>th</sup> Annual Report, AGVB, 2014-15, the volume of deposits amount was Rs. 74188674 thousand (15.38 percent growth rate) as on 31-03-2015.

As on 31-03-2016, the volume of deposit of the Assam Gramin Vikash Bank is shown in table-6.4.

**Table-6.4: Level of deposit (Rs. in thousands)**

Category			
	Accounts	Amount	Growth (percentage)
1. Current Account	179874	4137885	2.40
2. Savings Account	7282602	43379834	1.65
Demand Deposit (1+2)	7462476	47517719	1.72
3. Term deposit	959196	26301807	-4.26
Total	8421672	73819526	-0.50

Source : 11<sup>th</sup> Annual Report, 2015-16, Assam Gramin Vikash Bank.

The 11<sup>th</sup> Annual Report of AGV Bank shows that the total deposit of the bank was Rs. 73819526 thousands as on 31-03-2016 which was Rs. 74188674 thousands as on 31-03-2015. The growth rate of deposit has shown a negative (- 0.50) on 31-03-2016 as compared to 15.38 as on 31-03-2015 due to negative growth rate of term deposit.

### **6.3.6: Disbursement of Loans by AGV Bank**

Assam Gramin Vikash Bank is playing a vital role in advancing loans to backward sections in the rural economy. Assam Gramin Vikash Bank provided total loans to different sectors of Rs.3616360 thousand during 2006-07 as against Rs.2883163 thousand during 2005-06. The bank implemented some schemes such as Urban Credit Card, Farmers Credit Card, Mahila Mangal Yojana, Asomi Jana Rhin

Achani etc. The Bank provided KCC loans of Rs. 197868 thousand and disbursed loans for agriculture and allied activities of Rs. 384545 thousand during the same year.<sup>10</sup>

During the year 2008-09, the Bank provided loans of Rs. 4051595 thousand as against of Rs. 3760216 thousand during 2007-08. The Bank disbursed loans to agriculture and allied activities ( including KCC loan) of Rs.1203860 thousand in 2008-09 which was of Rs.997150 thousand in 2007-08.<sup>11</sup>

During the year 2012-13, disbursement of total loans of AGV Bank was Rs.7041506 thousand as against Rs.7424468 thousand in 2011-12. The Bank provided credit to agriculture and allied activities (including KCC loan) of Rs.2933253 thousand in 2012-13 as against Rs. 2843865 thousand during 2011-12.<sup>12</sup>

Distribution of loans by Assam Gramin Vikash Bank to various sectors are shown in the following table-6.5

**Table-6.5: Sector Wise Distribution of loans by AGV Bank (Rs. in thousands)**

Sectors Wise Distribution of loans	2013-14	2014-15	2015-16	
	Amount	Amount	Amount	percentage of loans provided
Agriculture and Allied Activities (including KCC)	3804857 (44.75%)	4337143 (48.71%)	2634538	38.47
SSI/MSME	2845064	3147554	2641423	38.57
Services/Others	158388	41265	55850	0.82
Housing Loan	272335	221440	328263	4.79
Total Priority Sector	7080644	7747402	5660074	82.64
Non Priority Sector	1422741	1156399	1188794	17.36
Total	8503385	8903801	6848868	100.00
Percentage of loan provided to Weaker Sections	61.10	65.00	→	42.53

Source : 9<sup>th</sup> Annual Report,2013-14, 10<sup>th</sup> Annual Report,2014-15 and 11<sup>th</sup> Annual Report, 2015-16 of Assam Gramin Vikash Bank.

In the table 6.5, it is shown that the Assam Gramin Vikash Bank has provided loans to agriculture and allied activities including KCC to the amount of Rs. 3804857 thousand in 2013-14, Rs. 4337143 thousand in 2014-15 and Rs. 2634538 thousand in 2015-16. The bank has given top priority to agricultural sector and small scale industries in rural areas. The bank disbursed loans to weaker sections at the rate of

61.10 percent, 65.00 percent and 42.53 percent in the year 2013-14, 2014-15 and 2015-16 respectively.

### 6.3.7: Loans Providing Under Kishan Credit Cards (KCC)

Poor farmers are not able to produce sufficient crops due to poor fund capacity to apply modern farming method of production. Farmers need financial assistance for performing their agricultural activities.. They always approach banks for advancing loans or crop production. Assam Gramin Vikash Bank is trying to meet the public demand as per capacity of the bank and the bank has been providing agricultural loans under the scheme of Kishan Credit Cards since its inception.

The total numbers of Kishan Credit Cards issued and amount of loans provided by Assam Gramin Vikash Bank is shown in table 6.6.

**Table-6.6: Agricultural Loan Advances under KCC, (Rs. in thousands)**

Year	Outstanding Advances Under KCC		Cumulative Achievement	
	Card Issued (Nos)	Amount	Card Issued (Nos)	Amount
31-03-2006	46569	582667	58226	783789
31-03-2007	54500	730523	64132	957104
31-03-2008	62698	926367	83012	1272987
31-03-2009	70215	875912	138308	4078279
31-03-2010	90408	1399510	189387	5496261
31-03-2011	-	-	-	-
31-03-2012	230975	7576080	353283	10673413
31-03-2013	287020	10895913	428544	-
31-03-2014	363025	13955397	494146	-
31-03-2015	378104	15616461	586242	-
31-03-2016	355337	15754503	632585	-

Source : 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> Annual Report of AGV Bank.

The table 6.6 shows that Assam Gramin Vikash Bank has been increasing cumulatively the issue of Kishan Credit Cards from 58226 nos as on 31-03-2006 to 632585 nos as on 31-03-2016 and the total loan amount under KCC was Rs. 10673413 thousand as on 31-03-2012 which was Rs 783789 thousand as on 31-03-

2006. The Bank provides total outstanding under KCC of Rs.15754503 thousand and issued total 355337 nos of KCCs as on 31-03-2016 which was Rs.582667 thousand and issued total 46569 nos of KCCs as on 31-03-2006.

### **6.3.8: Formation of Farmers' Clubs**

Assam Gramin Vikash Bank formulates an organisation of farmers which is known as farmers' clubs. Farmers' Clubs are regarded as the most important organisation and intermediaries for functioning agricultural finances in proper way to efficient borrowers. The primary objective of the formation of farmers' clubs is to develop the agricultural sector through credit facilities. The farmers' clubs have also performed a number of programmes regarding agricultural activities and micro finance etc. There are 564 nos of farmers' clubs in Assam which are performing their activities in the area of functioning of the bank and recognise themselves as an additional wing of the bank.<sup>13</sup>

### **6.3.9: Self Help Groups (SHGs)**

Self Help Groups are self managed groups which are formed to empower the rural people with credit linked banks. Assam Gramin Vikash Bank is associated actively with the SHGs by advancing loans in productive activity. Assam Gramin Vikash Bank has introduced total 198406 SHGs with engaging 2179917 members as on 31-03-2016. The total credit linked SHGs were 164368 SHGs with credit limit of Rs. 7547955 thousand till 31-03-2016.<sup>14</sup>

### **6.3.10: Rural Development and Self Employment Training Institute (RSETI)**

Assam is a backward state of India where unemployment is a burning problem. Thus, establishment of Self Employment Training Institute is important for the purpose of rural development in the economy. There are five (05) RSETI, namely, Sonitpur, Bongaigaon, Jorhat, Kamrup (M) and Kamrup district in Assam till the financial year 2015-16 and these are sponsored by the Assam Gramin Vikash Bank. Besides imparting training, the RSETIs have performed another function also. In 2015-16, RSETIs have extended helping hand to 1677 nos of trained persons in earning income through self employment or works for salary. National Academy of

RUDSETIs have made an assessment regarding the performance of RSETIs and awarded Grade “AA” to RSETI Tezpur and Jorhat and Grade “A” to Bongaigaon, Kamrup(M) and Kamrup.<sup>15</sup>

### **6.3.11: General Credit Cards (GCC)**

Assam Gramin Vikash Bank launched the General Credit Cards Schemes in 2006-07. According to the scheme, the Bank is advancing loans to the weaker class of the society without maintaining any complex procedure. In the financial year 2015-16, Assam Gramin Vikash Bank supplied 8833 nos of GCC and cumulatively provided 82376 nos of GCC against loan amount of Rs. 1838240 thousand.<sup>16</sup>

### **6.3.12: Problems Faced by Assam Gramin Vikash Bank in the Sample District Barpeta**

In Barpeta district, majority of the people are living in rural areas and most of them are depending on agriculture as a source of their livelihood. For the development of agricultural sector, farmers require financial assistance from financial institutions. Among all the financial institutions, Assam Gramin Vikash Bank occupies the highest banking network with 19 nos of branches in Barpeta district. State Bank of India (SBI) has 14 nos of branches and total branches of commercial Banks including SBI are 60 branches and 3 branches of Co-operative Apex Bank. Thus, Assam Gramin Vikash Bank has provided highest banking services to the rural masses in the district. But considering the geographical areas of the district, Rural Banking branches are not sufficient in the district. There are many places without any branch of Banks for which rural people of these places seek loans from village money lenders.

The researcher has made a personal investigation in 10 branches out of 19 branches of Assam Gramin Vikash Bank in Barpeta District and it has been found that in case of advancing loans, all the 10 branches have given top priority to agriculture in case of crops production and second top priority to agriculture and allied sectors. But the Bank faces some problems in advancing loans which are discussed as below-

- In the field survey, it was found that the Bank is confronting a serious problem of high level of Non Performing Assets (NPA)

- Inadequate manpower is another problem of the bank for which the bank can't provide sufficient services to the customers.
- Major part of the farmers are illiterate and they do not submit the required documents at the proper time for which, the bank delays in sanctioning loans to needy farmers.
- Assam Gramin Vikash Bank faces a big problem of overdues of loan amount which is due to mis-utilisation of loan amount by borrowers.

Assam Gramin Vikash Bank is the largest Regional Rural Bank in the North East region of India. The Bank covers all districts of Assam by its banking network and provides financial help to weaker section such as small and marginal farmers, rural artisans, small entrepreneurs and traders for development of their own business and their socio-economic development. Thus, Assam Gramin Vikash Bank is playing the vital role in the upliftment of the rural economy. Poor farmers are facing problems in sanctioning institutional agricultural credit and they are not interested to approach Bank officials for loans which are generally situated at a far distance from village areas. Thus, the banking network of Assam Gramin Vikash Bank should be enlarged in all remote areas in such a way that all the uncovered areas by banking services can be covered and establishment of branches in those areas of Assam. Hence, Regional Rural Bank can be considered as a lever to gear up the rural economy of Assam.

**References**

1. Prakash, J., Regional Rural Banks at Crossroads, in Agrawal, M., and Agrawal, R. C., (ed), Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publication PVT. LTD., New Delhi, 2010, pp. 16-18.
2. Dubey, N., Dubey, R., and Sharma, M., Regional Rural Banks in India, in Agrawal, M., and Agrawal, R. C., (ed), Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publication PVT. LTD., New Delhi, 2010, pp. 275-277.
3. Annual Report 2005, Pragjyotish Gaonlia Bank.
4. Annual Report 2005, Lakhimi Gaonlia Bank.
5. Annual Report 2005, Subansiri Gaonlia Bank.
6. Annual Report 2005, Cachar Gaonlia Bank.
7. Annual Report 2004-05, Langpi Dehangi Rural Bank.
8. 1<sup>st</sup> Annual Report 2005-06, Assam Gramin Vikash Bank, pp. 02-03.
9. 2<sup>nd</sup> Annual Report 2006-07, Assam Gramin Vikash Bank, pp. 02-03.
10. Ibid 9, p. 08.
11. 4<sup>th</sup> Annual Report 2008-09, Assam Gramin Vikash Bank, p. 10.
12. 8<sup>th</sup> Annual Report 2012-13, Assam Gramin Vikash Bank, pp. 12-14.
13. 11<sup>th</sup> Annual Report 2015-16, Assam Gramin Vikash Bank, p. 14.
14. Ibid 13, p. 13.
15. Ibid 13, pp. 15-16.
16. Ibid 14, p. 16.

## CHAPTER-VII

### **Necessities of Agricultural Credit and Credit delivery system in Assam**

#### **7.1: Introduction**

Agriculture is the main occupation for about 48 percent population in India. Agricultural sector provides food security to the nation, raw material to industrial sector, generating exportable surpluses and some other goods required in non agricultural sector. Agricultural sector alongwith its allied sectors is unquestionably the largest employment generating sector in India and the state of Assam.

A. Dalwai said, “India’s agricultural sector has been undergoing a structural change with respect to its farm size, cropping pattern and in the national GVA. It would benefit all concerned with policy formulation and implementation, to recognize that agriculture sector is the largest private enterprise in the country. It is logical, therefore, to enable the spirit of private enterprise of the farmers to excel itself. So far, the nation’s broad focus has been on achieving higher production and realizes food security, which has been done the growing population. And, inclusiveness implies the need to provide equal opportunities for all categories of agricultural households including the agricultural landless labourers and the small & marginal farmers to grow and earn net family incomes at levels much higher than do now.”<sup>1</sup>

Agriculture is the traditional sector accepted by the people as a source of earning and a way of living. Agricultural sector in Assam and in India as a whole is still remaining in a deplorable condition. In Assam, more than 75 percent of the total population is directly or indirectly dependent on Agricultural sector. But, they took this sector as a traditional source of livelihood rather than thinking as main way of living and earning higher income through modernization of the sector.

Agricultural sector is playing a primitive role in the development of national economy. Agriculture and its allied sectors provide food to more than 130 crores of people and contribute 30 percent to GDP and 10 percent share in exports. So, government should pay attention in the development of agricultural sector. There is an urgent need of use HYV seed, chemical fertilizer, pesticides, insecticides and modern

implements for augmenting production and productivity of crops which are possible only by advancing credit to agriculturist. “In view of its increasing population, besides direct employment to about 40 percent of the world populace, it has become an indispensable tool for industrial politics, at least in the hands of so called developed countries”.<sup>2</sup> During the period of colonial rule, agricultural sector was totally neglected. But after independence, agriculture sector occupies an important place in the Indian economy and the economy of Assam.

The changing cropping pattern, production of commercial crops and double crops pattern have represented a new importance in the line of domestic demand and export requirement. Now agriculture is the backbone of the economy of Assam and requires sufficient fund for the development of this sector. So, finance is considered as a vital important aspect to revive the production level of agricultural sector.

## **7.2: Significance of Agricultural Credit and Development of Agricultural sector**

Indian Economy is basically agrarian structure. Agriculture is the vital pillar of Indian economy. Agriculture is still recognized as a backward sector due to various economic and non economic factors even successively past many five year plans. The share of agricultural sector to the Gross Domestic Product (GDP) is declining which was 45.5 percent in 1971, 34 percent in 1990 and 24.7 percent in 2001, 13.9 percent in 2014. The reduction of total numbers of workforce has, however, been marginal. According to data available provided by the census of India reveals that 98 million people got employment opportunities in agricultural sector in 1951 (agriculturist and agricultural labourers) and it was increased to 263 millions in 2011. However, the percentage of people working in agricultural sector is reducing from 70 percent in 1951 to 54.6 percent in 2011. Thus, agricultural sector is the single largest private sector occupation and large growth rate of agriculture is significant for a large chunk of population. Development of agricultural sector is very much important for rapid growth of industrial sector because agriculture is the main source of raw materials required in some leading industries such as cotton and jute textile, sugar, flour mills, vanaspati, oil crushing and rice husking etc.<sup>3</sup>

Agricultural credit is considered as one of the most powerful instruments for conducting all development activities in agricultural sector. In India and in the state Assam, agricultural finance is essential for operating agricultural activities because Indian farmers are economically backward. Agriculturists need financial assistance for purchasing HYV seeds, fertilizers, fodder, agricultural implements and improvement of land etc. Thus, Government should take proper policy to provide cheap agricultural credit facilities to farmers<sup>4</sup>

“Credit is a means of obtaining resources at a certain period of time, with an obligation to repay it as subsequent period in accordance with the terms and conditions of the credit obtained.”<sup>5</sup> Agricultural credits is considered as an urgent need of farmers because there is a large gap between necessities of credit for operation of agricultural activities and the capacities of farmers to finance themselves. Thus, agricultural credit refers to the borrowed fund for investment in productive activities as well as agricultural operations.

Agricultural credit refers to the availabilities of money supply to agriculturists for production of crops by limited productive resources. Credit is a powerful weapon to promote welfare of the society. Thus, agricultural credit is significant in the context of developed input and output markets and it is needed to small and marginal farmers because they have almost no resources for investing in productive purposes.<sup>6</sup>

In the ancient time, agricultural credit was limited only to village money lenders and some needy farmers. During the period of draught and flood, small and marginal farmers usually borrowed food grains from rich farmers on the condition that the borrower would need to return the same quantity as interest after harvesting of crops. Small and marginal farmers are not able to save from their meager amount of income and they enter in to vicious circle of poverty which can only be broken by using credit and the credit should be properly channelized in productive purposes. Hence, agricultural credit is playing an important role in increasing income of the rural poor.<sup>7</sup>

According to William G. Murray, “ credit makes it possible for farmers to take advantage of new machines, good seeds, fertilizers, livestock, labour, all of which enable the farmers to organize and operate his farm on more profitable basis”,<sup>8</sup>

In order to adopt modern technique of production and implement of scientific tools of production, farmers require huge amount of fund which is possible only by taking loan as their own capacity of fund is very low or unable to maintain their living standard at a subsistence level. Thus, credit is considered as a bad master, when it is mismanaged use. It may be considered like the French proverb- credit supports the farmers' as the hangman's rope supports the hanged." Thus, agricultural credit can be assumed as one of the main elevators in improving socio- economic condition of agriculturists.

Hence, credit is necessary for all round development of rural sector and it becomes possible only, when, credit is rightly channelized in the productive purposes, otherwise, it may create a problematic situation in repaying loan and ultimately they would enter in to a debt-trap.

### **7.3: Need for Credit in Agricultural Sector**

Finance is the key element of economic development. When financial institutions set up in a particular region, then, the region will be gradually developed and in a developed region, the financial institution will be established automatically to provide long term, short term and working capital to the industrial as well as agricultural sector. Thus, Government should take the responsibilities to provide suitable environment to encourage the financial institutions.<sup>9</sup>

Finance is the main lever of all economic activities. It is considered as a lubricant for all growth process. Without financial support, development process would be paralyzed. Farmers need finance for purchasing seeds, fertilizers, implements etc and repayment to others such as wages and irrigation charges, repayment of interest on credit etc. Agriculture occupies a central place in the national economy and plays a strategic role in the development of all activities. Agriculture and industries both are recognized as the two wheel of development of an economy and both are supplementary to each other. A developed agricultural sector is pre-requisite for the development of sound industrial sector and alternatively, a strong industrial sector is necessary to agriculture sector.<sup>10</sup>

In Assam, agriculturists generally belong to poorer class and they are normally poverty stricken. A financial support is the basic requirement of this poorer class to

perform their daily economic activities. Generally, farmers need credit for three reasons based on time and purpose of requirement.

### **Credit depending on time period**

Farmers require finance for the purpose of purchasing seeds, fertilizers, insecticides, paying wages to hired labourers, payment of electricity bill, tax on land, godown charges, fodder for cattle etc., for a period of less than 15 months. This type of credit is also very much essential to farmers to support their families in those years, in which production level is not sufficient to meet up their increasing demand. Short term credits are generally returned after harvesting of crops.

This type of credit is provided to farmers for the purpose of improving land, to buy agricultural inputs, machinery, cattle and better cultivation system. The period of medium term credit is more than 15 months and less than 5 years.

Long term loans are granted for long period of more than 5 years up to 10 years and sometimes may be for a period of 20 years. The farmers require this type of loans for the purpose of buying additional land, to make permanent improvements of land, any permanent construction, payment of old debt and to purchase costly agricultural machinery and some other improvements for farm operation.<sup>11</sup>

The Finance requirement of agriculturists is of two categories namely productive and unproductive loans. Farmers need credit for productive purposes such as to purchase seeds, fertilizers, implement, bullock, fodder, payment of tax to the government, permanent improvement of land etc.

Besides, the productive loans, farmers are also bound to take loans for unproductive purposes such as to maintain the expenditure of marriages, births and deaths, for some social custom and for litigation, to repair the houses, to meet the medical treatment expenses etc. These types of loans are totally unproductive. Farmers are facing a serious problem at the time of repayment of interest and principal amount and they enter in to debt-trap and ultimately in a vicious circle of poverty. In this way, finally farmers are compelled to sell their tiny properties of small plot of productive land, house or bullock. Though, these consumption loans are unproductive directly, but indirectly, these are productive because without fulfillment

of these basic needs, performance of cultivators is not satisfactory. Thus, government should provide sufficient credit facilities to farmers at a lower rate of interest.<sup>12</sup>

Agricultural sector remains underdeveloped due to two reasons namely credit and non credit and some times, this non credit cause may be attributed to credit factors. Agricultural credit is considered as an important factor for the development and growth of all economic activities such as agriculture, industry, trade and commerce, transport and other services. Finance is an urgent need for modernization and mechanization of production method of agriculture sector. Agriculture sector is now considered as a large employment provider industry and needs to invest huge amount of investment which is possible only from outside finance. According to F. Nicholson," the chief objectives for which agriculturist need money are: to pay current expenses of cultivation such as purchase of seeds, manure etc., the purchase of cattle, implements, and raw materials, to acquire new land or improve land by irrigation, drainage, weeding and planting, to pay of old debt, to build and repair houses, to purchase food staff and personal necessities, to pay land revenue to the government, to meet expenses connected with marriage and other social events in the family, to buy jewelry to conduct law suits."<sup>13</sup>

In agricultural sector, most of th cultivators are living below poverty line. They are generally small and marginal farmers and near about 50 percent are landless agricultural labourers. Their incomes are at just subsistence level or below subsistence level and represent a deficit family budget. Hence, outside finance is very necessary to poverty stricken farmers' class to carry on their business.<sup>14</sup>

Financial assistance is necessary to the rural class to maintain their family expenditure, to improve living standard and to carry on their agricultural activities. Since this poorer class has no capacity to save their income, so to continue work in agriculture, farmers need to take loan. Indebtedness or taking loan is not sign of bad, if it is properly used in productive activities and can improve their economic conditions. " If the debts of rural population were incurred primarily for the purpose of improving agricultural productivity, the growth and extensiveness of rural indebtedness would give no cause for alarm"<sup>15</sup>

Long term credit is important to farmers as they make capital to invest in production activities and enable to repayment of debt by increasing productivity. In

this perspective, Reserve Bank of India stated a note in 1936 which is known as preliminary report. The report states, “the long term credit is more important and if any effective steps are to be taken to make the agriculturists credit worthy, this is the first problem which is to be tackled.” Thus, it is clear that farmers need sufficient financial assistance for agricultural operation and produce more crops.<sup>16</sup>

Five factors are generally considered as main accelerators for the development of agriculture sector at national economy. These factors are (a) training, (b) availabilities of finance, (c) collective activities of farmers, (d) extension of productive land, (e) planning estimation of production. Thus, financial assistance is recognized as a strongest element of upliftment of agricultural sector. Agricultural credit is also required for transforming and for making structural change of agricultural operating system. In India and the state of Assam, the following factors are generally responsible for necessities of credit in agricultural sectors-

- i) Most of the farmers are poor or even living under Below Poverty Line (BPL).
- ii) Poor farmers are always facing a problem of crisis of fund.
- iii) Expensive agricultural inputs are needed to purchase for employing in productive activities.
- iv) Rapidly increasing the value of agricultural inputs.
- v) Time gap is long between investment in production and harvesting of crops which may cause requirement of higher credit.
- vi) Poor productivity due to irregularity of monsoon.
- vii) Excess credit needs for the repayment of old debt.
- viii) Agricultural credit is also necessary for raising the productivity of both land and inputs.

More financial assistance is important for expanding productive land by way of bringing waste land under cultivation, adoption of chemical fertilizers, pesticides, insecticides, provision of irrigation facilities, improving productive capacity of labourers, etc. Sufficient agricultural finance is necessary to transform traditional method of agricultural activities to commercial method of production activities. In

India, especially in Assam, majority of small and marginal farmers are not capable to meet their family expenditure and living under subsistence level. Government should formulate proper policy measures for advancing loans at cheaper rate for the purpose of agricultural activities and allied activities which can improve their income and productivity. Agricultural credit is helpful in increasing productivity through cumulative process such as credit increases income, income increases saving, saving transfer to investment, again increases production, income consumption, demand condition, employment and ultimately standard of living. Thus, financial assistance is a strong instrument for overall progress of rural economy of the country.<sup>17</sup>

The agricultural credit is utmost important for the improvement of agricultural sector. There are so many important factors which are responsible for the requirement of credit in agriculture and can be described as follows:

### **7.3.1: Inadequate Income of Agriculturists**

The poorer class of the society is generally known as cultivators. Illiterate and poor farmers are earning very meagre amount of income compared with other non agricultural sectors. Tarshis observes that earning level of farmers is lower than clerical employee in non agricultural sector. Usually, income of rich agriculturist can be only compared with clerical worker in non agricultural sector. Inadequate income of farmer is one of the serious problems of farm.<sup>18</sup>

The low income refers to low capacity to save, low investment and lower level of production and productivity as a result farmers are in the line of vicious circle of poverty. It is clear that lower level of productivity is one of the limiting factors to increase saving and investment. But agriculturists have to invest money to perform agricultural activities and to produce more crops which is possible only to farmers by borrowing loans from outside sources.<sup>19</sup>

Dandekar idea reveals that occurring a peculiar situation in agricultural sector of India which is known as “paradox of Growth”. The registered per capita income from all activities except agriculture were increasing during 1970-71 to 1980-81 and per capita domestic income in agriculture, fisheries, forestry diminished to Rs.1293 in 1981 from Rs.1305 in 1971.<sup>20</sup>

The condition of agricultural sector has been very deplorable even after the post reform period and it is clear from the study made by Desai (1998) and point out that annual production of food grains has diminished from 3.36 percent to 2.57 percent in 1995-96.<sup>21</sup>

Hence. It is clear that sufficient credit at the right time is necessary for increasing production and productivity of farmers. Government should take proper steps to provide sufficient finance to cultivators with subsidy and low rate of interest.

### **7.3.2: Uncertain Income**

Income uncertainty is another limitation of agricultural sector. Farmers are always remaining in doubt for their income from crops production because there are so many incidences during production period. Natural calamities like flood, drought, storm, etc. are the serious causes of low productivity of agricultural sector. Farmers in India, specially in Assam are still depending on rain water. But irregularities of rain, flood, drought, attack of pest, insects, etc. are the factors responsible for uncertainty of production and income of farmers. Another problem arises to farmers is the low market price of product for which farmers are unable to cover even the cost of production and ultimately, they are indebted. There are some unpredictable and unprotected dangerous situations coming to agricultural sector such as over flood, cyclone, etc. Thus, farmers' income cannot be predictable like industrial sectors.

Farmers are always taking risk and bearing uncertainties for the following reasons-

- a) Farmers need to take risk from natural calamities such as over flood, drought, earthquake, storm and cyclone, etc may cause damage of crops production. Lower level of production due to attack from pest, insect and various diseases of crops. Sometimes, loss occurs due to sudden accident and death of cattle. Hence, farmers' income from agricultural activities is uncertain.
- b) Farmers need to take risk to save their property from fire, thefts, robbery and burglary etc. and to keep their production inputs intact during the period of cultivation
- c) Farmers are taking risk of occurring losses and maintaining cost of production due to variation of market price of product. Sometimes, market value of product decreases to the level that cultivators are not able to get even the cost of production.

d) Risk of operating productive activities because farmers are facing different problems such as disease, accident, disabilities and even death of farmers which are recognized as a barrier of productivity of cultivators.

According to Morman, “the business of farming is the most precarious of all industries and it is very risky at the best.”<sup>22</sup>

Thus, the cultivators are not able to predict their income and they are always suffering from uncertainties of expected income. The government should execute the minimum price support policy for major agricultural product and it is to be ascertained to the farmers that they are capable of getting at least the minimum value from their agricultural product which may be a little hope to manage their family expenditure.

Under such circumstances, agricultural credit is essential to farmers to continue their agricultural activities and allied activities. Financial assistance is also important to set up small and cottage industries and to develop the infrastructure facilities of farm which may accelerate the income of farmers.

### **7.3.3: High Level of Cost of Production**

Expenditure in agricultural sector is a never ending process. The cost of production has been increasing due to modernization of production technique in agricultural sector and it is highly capital intensive. Lack of fund is one of the major constraints of agricultural sector. The agriculturists have to borrow funds from outside sources to purchase implements such as HYV seeds, chemical fertilizers, pesticides, insecticides, tractors, harvesters, pump set, power tiller, threshers, etc which are very costly. The productivity of both land and agricultural labourers will increase by the application of modern inputs in agricultural activities. The production of multiple crops at the same time in the same plot of land is possible only by adopting scientific method of production. Thus, sufficient credit facilities are necessary to adopt such sophisticated modern inputs and scientific technique of production. In the mid of sixties, new era of agricultural sector in India was started with the introduction of Green Revolution. In 1968, India was recognized as a highest producer country of rice and wheat. The cost of production has been increase due to purchase and adopts modern inputs. The production and productivity of agricultural activities has also been

increased successively. The variable factors of production per acre in scientific method of production are required five times more than traditional method of production in agriculture. <sup>23</sup>

“Investment in durable capital can be seven times more in modern farms in comparison with traditional farms” <sup>24</sup>

The agricultural sector is gradually transforming from traditional techniques of production to modern techniques of production, from labour intensive technique to capital intensive technique. The investment of huge amount of money in agricultural sector is also necessary for the adoption of some new elements such as micro irrigation system, domestically produced manure, green house farming, tissue culture etc. Thus, for the purpose of using new technology and modern implements of production, cultivators need to borrow funds from financial institutions.

#### **7.3.4: Time Gap between Investment and Returns from Production Activities**

In India, especially in Assam, farmers remain busy in agricultural activities only a particular season and rest of the year they are without any works for which, they are known as seasonal unemployment in agricultural sector. There is a long gap between investment in agricultural activities and returns come from production. During this gap period, financial support is very needful to farmers to meet the consumption expenditure of their family and expenditure on production activities. Generally, farmers’ income occurs after harvesting of crops, i.e. one time in a year. But, they are spending money on consumption in the whole year on a continuous basis. Farmers have to manage these expenses either from past savings or by taking loans.

#### **7.3.5: No Other Sources of Funds**

Credit is the only source of getting funds for financing agricultural activities of farmers. The farmers are not able to collect any share money from any agency like industrial sector or any others non agricultural activities. The farmers are living in rural areas and in rural areas; they cannot earn income from rental house or rent from a piece of land like urban places because in rural areas, there is no demand at all.

Farmers' income is so meagre that they are not able to save. But, expenditure is ever increasing process. Hence, cultivators need to take loans from various sources to meet the increasing expenditure on the development of agricultural activities.

### **7.3.6: Development of Allied Activities and Mobilization of income**

Additional income of farmers is now considered as one of the important condition of economically empowering them. The farmers can earn extra income from allied activities such as dairy farm, poultry farm, fisheries, horticulture, floriculture, etc. Thus, development of these allied sectors is most essential from economic point of view of the rural poor. The farmers need to take loans to carry on these allied activities along with agricultural activities. The agriculturists can stabilize their income by earning additional income from these allied sectors and also can mobilize their income from one sector to another.

### **7.3.7: Commercialization and Modernization of agriculture sector**

Since the colonial rule in India, crops production pattern has been changing from traditional foodgrains production to commercial cash crops production. The cash crops are helpful to industrial sector as raw material such as jute, cotton, sugarcane, oilseeds, etc. However, production of foodgrains at large scale is also highly necessary for food security of the country. The farmers have to borrow funds to produce these cash crops by adopting modern agricultural inputs.

### **7.3.8: Diversion of Factors of Production and Introduction of Multiple Cropping Patterns**

In modern agricultural sectors, some fixed factors of production including land can be diverted from one use to another or changing the production of one crop to another. Multiple crops production in the same plot of land is also possible in scientific method of production. Availabilities of finance is required to farmers to perform these activities by applying modern inputs of production.

### **7.3.9: Irregular Production of Farm Output**

The output produced in agricultural sector is highly irregular because agricultural activities are seasonal. The demand for agricultural credit is more during peak season and during off season, demand for loan is less.

### **7.3.10: Excess Demand for Agricultural Credit**

Demand for agricultural credit is increasing with the changing scenario of agricultural sector. The farmers are demanding credit for the purpose of upliftment of agricultural activities and their demand for credit is of three types- namely short term credit, medium term credit and long term credit. The short term credit is known as crop loan which is demanded for buying seeds, fertilizers, pesticides and any other expenses related to crops and the medium term loan is demanded for buying low cost productive inputs. The demand for long term loan arises for the permanent settlement of agricultural sector such as leveling of land, construction of minor irrigation system, purchasing of costly inputs, etc. Thus, provisions of finance should be available to farmers. But credit provided to farmers by various agencies is less than actually requirement of credit. Hence, government should provide sufficient credit facilities to farmers.

### **7.3.11: Poor Financial Capacities of Non-institutional Sources of Credit**

The agricultural credit provided by non institutional sources is not adequate. This type of credit is always exploitative and costly. The village money lenders and landlords are not able to provide credit for long period and for huge investment. Sometimes, it may have the opposite reaction in the development activities of agricultural sector. But, various institutional agencies can provide available finance as per demand condition from farm sector. These types of credit are not profit motive and exploitative, but helpful and welfare oriented to the rural poor. Thus, credit facilities provided by various institutions should be sufficient for the growth of rural economy.

#### **7.4: Agricultural Credit Delivery System in Assam**

Agriculture plays a prime role in the national economy as well as in the state of Assam. Agricultural sector is recognized as a highest provider of employment opportunities to the rural poor and also provider of raw materials to industrial sector. Development of industrial sector is not possible without development of agricultural sector. Thus, development of agricultural sector should not be neglected. In India especially in Assam, farmers are financially very poor and socially neglected group. Lack of funds is the serious problem of farmers. Financial assistance plays a crucial role in the development of agricultural sector as well as improvement of socio-economic conditions of farmers. Illiterate farmers find difficulties to take loan from financial institutions due to hard and fast rules and need to submit security against loans. The poor farmers are normally seeking loans from village money lender or landlord at exorbitant rate of interest and ultimately, they fall in debt-trap. This debt-trap reduces their encouragement and may adversely affect on productive activities. With the modernization and commercialization of agricultural sector, the farmers need to invest huge amount of capital for productive purposes. In the changing environment of agriculture, small and marginal farmers are not able to purchase technologically advanced inputs. Hence, timely and sufficient quantities of credit delivery system play a vital role in the progress of agricultural sector and consequently, higher level of production.

The credit delivery system of various agencies is not simple. The credit delivery system should be such that the borrowers are able to get financial help at the right quantities at the right time and at the right price. It should be monitored that whether, the funds are properly utilized in the productive channels or not and it can be recovered at the right time. The available credit delivery is necessary to purchase modern inputs and to invest capital for productive purposes. Sometimes, cultivators have to spend the borrowed funds for unproductive purposes such as to perform social ceremonies and unexpected disease etc, for which, they are not able to repay the debt in time and creates overdue problem. This overdue problem may weaken the rural credit structure. There are three segments of credit delivery system. These are farmers, institutions and policy maker. These tree segments construct the entire rural

credit structure and they are interrelated to each other. The monitoring procedure over the structure together is very complex, but can be monitored them separately to each other.

In case of monitoring the rural credit structure, the basic requirements is the assessment of borrowers and how many farmers are benefited from institutional credit, different criteria imposed for selection and period of recovery of loans, etc. Despite these criteria, another condition of farmers' education should be considered as basic need for getting loan. Illiterate farmers are not aware about the different schemes advanced by different banking institutions. They do not know about the new schemes launched for farmers, how to approach bank official etc. Thus, farmers' education is considered as a basic need to use agricultural credit and prepare a proper credit delivery system.

The changing scenario of Indian agricultural sector over the years has increased the requirement of larger volume of credit supply to agriculture sector and need to improve the infrastructural facilities of rural areas.<sup>25</sup>

In India, there had been a discussion about the increasing need of rural credit disbursement and operating financial institutions during the decade of financial sector reforms in 1990 and observes the positive and negative impact of its implementation. In this reforms era, the main issue was to confirm about the ascertainable and efficient credit delivery system to farmers and provided sufficient finance to agricultural sector. However, the main barriers of ensuring effective rural credit delivery system are overdue problem and Non Performing Assets (NPAs) of rural financial institutions.

In general, three financial institutions namely Commercial Banks (CBs), Regional Rural Banks (RRBs), and credit Cooperative are the principal banking institutions to provide required financial assistance to the agricultural sector in rural areas. These three banking institutions together with Land Development Banks (LDBs) constitute the rural financial institutes in India. These rural financial institutions are always helping the rural sectors by way of advancing funds at a reasonable rate of interest.

The development path of rural credit delivery system of financial institutions can be categorized into three stages. In the first stage, the credit cooperative occupied the monopoly power of rural credit delivery system during the period of 1904-1969. The second stage was during the period of 1969-1991 with the introduction of commercial banks with nationalization of 14 major commercial banks in 1969 in the rural credit delivery system and establishment of Regional Rural Banks in every corner of India during 1975 and facilitate the banking service at a lower cost to the rural poor. The third stage of credit delivery system was started from financial sector reforms in 1991. The financial sector reforms refers to transforming of rural credit delivery system by way of reorganizing the banking institutions for providing adequate loans to the rural sectors in efficient manner. <sup>26</sup>

#### **7.4.1: Agricultural Credit Delivery System through Multi Agency Approach**

Private money lending agencies are exploitative, inadequate and defective because they are motivated by profit. Private agencies are not able to provide long term credit for huge investment. Institutional credit is helpful to cultivators to increase their productivity and income. The Indian farmers are facing a serious problem of finance required for the development of agricultural sector and shows that agricultural productions are gradually deteriorating. With a view to help the farmers with available credit facilities and to increase the productivities of agricultural sector, Government of India established co-operative credit societies and land mortgage banks. A rural credit survey report in 1950-51 revealed that the co-operatives could supply only 3.3 percent of total credit necessities of farmers. While, remaining 93 percent of credit requirement of farmers was fulfilled by the village money lenders. The Multi Agency Approach was adopted as per the recommendation 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 nationalization of Imperial Bank of India. In 1969, 14 major commercial banks were nationalized and establishment of Regional Rural Banks in every places of the country 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 section and to develop the backward region of the country. <sup>27</sup>

The main objective of the policy is that it ensures the sufficient credit facilities at the right time to the farmers. Again, the policy tried to reduce and remove the village money lenders' activities from the rural sector and facilitated available credit facilities to all the regions of the country. The gradual increase of institutional credit to farmers can be shown in the table-7.1.

**Table-7.1: Disbursement of Institutional Credit to Agriculture. (Rs. in Crore)**

Year	Cooperative Banks Amount	%	RRBs Amount	%	Commercial Banks Amount	%	Total	%
1984-85	3440	55	-	-	2790	45	6230	100
1997-98	14090	44	2040	6	15830	50	31960	100
2002-03	23720	34	6070	9	39770	57	69560	100
2006-07	42480	21	20440	10	140380	69	203300	100
2007-08	48258	19	25312	10	181088	71	254658	100
2008-09	36762	13	26724	9	228951	78	259337	100
2009-10	63497	17	35217	9	285800	74	384514	100
2010-11	78121	17	44293	9	345877	74	468291	100
2011- 12*	87963	17	54450	11	368616	72	511029	100
2012-13	111203	18	63681	10	432491	72	607375	100
2013-14	119963	17	82653	12	509005	71	711621	100

Source- Economic Survey, 2010-11, NABARD, Annual Report (Various Issues), Agricultural statistics, 2014. \* For provisional

The table-7.1 states that total delivery of agricultural credit from institutional sources has been increased from Rs. 6,230 crores in 1984-85 to Rs.711621 crores in 2013-14. Though, the total credit disbursement from co-operatives increased from Rs. 3440 crores in 1984-85 to Rs. 119963 crores in 2013-14, but the share of co-operatives to the total institutional credit diminished from 55 per cent in 1984-85 to 17 per cent in 2013-14. The total supply of credit provided by RRBs had increased from Rs. 2040 crores in 1997-98 to Rs. 82653 crores in 2013-14 and the contribution of RRBs to total institutional credit also increased from 6 per cent to 12 percent during the same period. In case of commercial banks, total disbursement of rural credit was increased to Rs. 509005 crores in 2013-14 from Rs. 2790 crores in 1984-85 and share of it to total institutional credit was increased from 45 percent to 71 percent during the same period. <sup>28</sup>

Thus, the table 7.1 reveals that total delivered institutional credit to agricultural sector has been successively increasing in India. But, it is need to be analysed that though, institutional credit has been increasing to a greater extent, yet, it cannot cover every corner of backward and remote areas in India, due to insufficient branches of financial institutions in backward areas and lack of knowledge of illiterate farmers about the new schemes of agricultural credit formulated by the government. Thus, farmers are normally taking loans from village money lenders at a high rate of interest. This is evident from the study made on rural credit by the Hindustan Times (HT) and India Investment Economic Foundation (IIEF) in 2004. The study revealed the share of various sources in to total rural credit as shown in the following table-7.2.

**Table-7.2: Share of different sources in rural credit during 2004**

Agency	Share in total credit (%)
Money lenders	70
Public sector Banks	10
Co-operatives Banks and societies	9
Government loans	1
Self Help Groups (SHGs)	1
Others	9
Total	100

Source: Hindustan Times- IIEF study, 2004.

The table 7.2 shows that the share of money lender in the total rural credit is the highest position, i.e., 70 percent. The contribution of public sector banks is 10 percent. In case of co-operative societies, it is 9 percent. The share of Government loans is 1 percent and SHGs' share is also 1 per cent and other sources contribute 9 percent. Hence, from the study, it can be understood that private agencies are still playing a crucial role in the disbursement of rural credit for the development of rural sector<sup>29</sup>

#### **7.4.2: Disbursement of Agricultural Finance in Assam**

Assam is a state of rural base economy. So, the rural structure of the state must be developed. Agricultural finance is a strong instrument in transforming the rural economy of the state. In Assam, the farmers are facing a serious problem of shortage of funds. Though, the sources of agricultural credit are large, but inadequate supply of credit in comparison to demand for credit. Thus, Assamese farmers are taking loans from private agencies to meet the additional demand for agricultural sector at exorbitant rate of interest. In recent past, various financial institutions have taken steps to flow agricultural loans in the state. These financial institutions have tried to deliver adequate finance at the right time without delay. In this perspective, overdue problem is standing as a barrier in rural credit delivery system in Assam.

As per the reports of State Level Bankers' Committee, Assam that among the priority sector, the agriculture contributes to the state has increased to 38.6 percent in 2014-15 from 34.6 per cent in 2013-14 as against 34.04 percent in 2012-13. On the other hand, the share of agricultural finance to the total bank credit was 20.58 percent as on March, 2015 and it was 19.78 percent as on March, 2014. The table-7.3 reveals the trend of disbursement of credit to agriculture and allied activities under annual plan of banks in Assam.

**Table-7.3: Trend of credit flow to agriculture and allied activities under annual credit plan in Assam.**

Year	Advance to Agriculture & Allied Activities (Rs.incrore)	Crop Loans (Rs in crores)	Percentage share of crop loans to total agricultural Advances	Per capita crop loan (Rupees)	Crop loan per farmer family # ( Rupees)
2009-10	814.69	359.39	44	134.82	* 1307
2010-11	876.76	373.63	43	139.94	* 1359
2011-12	2002.47	1082.03	54	346.80	* 3935
2012-13	1851.01	908.28	49	291.11	* 3303
2013-14	2756.66	1460.02	53	468.00	# 5368
2014-15	2492.60	1599.75	64	513.00	# 5881
2015-16	3901.29	2080.00	53	667.00	# 7647
% Growth 2015-16 over 2014-15	56.51	30.02	-	30.01	30.03

\*Refers total farmer family =27.50 lakh as per Agriculture Census 2005-06

#Refers total farmer family = 27.20 lakh as per Agriculture Census 2010-11

Source: Reports of State Level Bankers Committee, Assam.

(As reproduced in Economic Survey, Assam, 2016-17, p-194)

The table-7.3 shows that in Assam, total disbursement of credit to agriculture and allied activities by banks increased from Rs. 814.69 crore in 2009-10 to Rs. 3901.29 crore in 2015-16. Total amount of crop loans advanced also were increased from Rs.

359.39 crore to Rs. 2080.00 crore in 2015-16. The share of crop loans to total agricultural advance was increased from 44 percent to 53 percent during the same period. The crop loan per family was only Rs.1307 in 2009-10 which was increased to Rs.7647 in 2015-16. The percentage of annual growth rate of disbursement credit to agriculture and allied activities was 56.51 percent in the year 2015-16 over the year 2014-15 and in case of crop loans the growth percentage was 30.02 percent during 2015-16 over 2014-15. The growth rate of per capita crop loan was 30.01 and the growth rate of crop loan per farmer family was 30.03 during 2015-16 over the year 2014-15.<sup>30</sup>

Thus, the table reveals that the delivered of credit to agriculture and allied activities has been increasing in Assam.

### **7.4.3: Flow of Ground Level Credit to Agriculture and Allied Activities in North Eastern States**

The North Eastern Region is constituted by the eight states of North East India. This part of India is very backward. Infrastructure facilities are not developed at all. Most of the places are hilly area. So, it is very difficult to connect some places by railway transportation or even road transportation also. Agriculture is the main occupation in this region. In hill station, there are not adequate bank branches. Illiterate farmers do not know about the new scheme on agriculture declared by the government. Agricultural sector should be developed to develop this region. Hence, financial assistance plays a crucial role for the development of agriculture sector. The trend of deliver Ground Level Credit (GLC) for agriculture and allied activities has been increasing in the whole North Eastern Regional state during 2006-07 to 2011-12. The table-7.4 shows an increasing trend of such ground level credit for agriculture and allied sectors in North Eastern Region.

Table-7.4: Flow of ground level credit for agriculture and allied activities in North Eastern states during 2006-07 to 2011-12. (Rs. in crore)

State	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	2	3	4	5	6	7
Arunachal Pradesh	23	21	30	38	76	4
Assam	541	653	1008	1144	1741	309
Manipur	30	48	36	40	1514	4
Meghalaya	45	41	97	76	121	32
Mizoram	33	44	38	26	92	44
Nagaland	46	41	13	42	60	22
Sikkim	13	14	14	12	206	7
Tripura	94	97	279	259	810	122
Total NE	825	959	1515	1837	4620	544
Total ( All India)	229,400	253,966	301,143	3,845.051	468,156	142,413

Source: 1. Fertilizer Statistic 2012-13, 58<sup>th</sup> Edition, The Fertilizers Association of India.

2. Basic Statistics of North Eastern Region, NEC, P. 234.

3. NABARD, Mumbai

The table-7.4 shows an increasing trend of disbursement of Ground Level Credit (GLC) for agriculture and allied activities in the entire North Eastern Region. The flow of GLC for agriculture and allied activities in Assam was increased from Rs. 541 crore in 2006-07 to Rs. 1,741 crore in 2010-11, but, it was declined to 309 crore in 2011-12. The disbursement of GLC for agriculture and allied activities in Manipur and Tripura has shown an increasing trend from Rs.30 crore and Rs.94 crore respectively in 2006-07 to Rs.1514 crore and Rs.810 crore respectively in 2010-11 and it was only Rs. 4 crore in Manipur during 2011-12 and Rs. 122 crore in Tripura during the same period. There was not so significant increase of GLC for agriculture and allied activities in the rest of the states of North East Region. However, the flow of GLC for agriculture and allied activities in the whole North Eastern Region was increased from Rs. 825 crore in 2006-07 to Rs. 4,620 crore in 2010-11, but it was declined to Rs. 544 crore in 2011-12 in the same manner. Thus, from the table-7.4, it

can be understood that the trend of flow of GLC for agriculture and allied activities in the all North Eastern States as well as India as a whole has been increasing during 2006-07 to 2011-12 and among the all states of North Eastern Region, Assam reached the top position in case of disbursement of GLC for agriculture and allied activities during the same period. <sup>31</sup>

From above, it is clear that financial assistance is important requirement of farmers for operating agricultural activities. Without adequate and timely supply credit, transforming of agricultural sector is not possible. For modernization and mechanization of agricultural production activities, heavy investment is very much essential for purchasing of costly modern inputs and development of agricultural infrastructure facilities. The Government should provide available financial assistance to agricultural sector at a lower cost or subsidy rate and then only it is possible to reduce the lending activities of village money lenders. So to bring out the farmers from debt-trap and to ascertain their income, the agricultural credit delivery system should be proper, efficient and adequate at the right time. One of the negative factors of credit delivery system is that farmers are not able to repay the loans at the right time to the financing institutions. This overdue condition may be cause of weaknesses of rural credit structure. From the study, it is seen that the flow of rural credit has been showing an increasing trend in recent years, but, rural credit facilities is not still sufficient as per demand of the farmers for their agricultural activities and socio-economic development.

**References:**

1. Dalwai, A., Doubling of Farmers' Income , Agricultural Growth and Farmers' Welfare, Kurukshetra, A Journal on Rural Development, vol-65, June, 2017, p. 5.
2. Choubey, B. N., Institutional Finance for Agricultural Development, Subhadra Saraswat Publication, pune, 1977, p. 1.
3. Datt, G., & Mahajan, A., Indian Economy, S. Chand & Company PVT. LTD., New Delhi, 2016, pp-532-533.
4. Bisoyi, P.L., and Misra, R.N., Agricultural credit and Economic Development of India, in Misra, R.N.,(ed) Banks for Rural Development, Sonali Publication, New Delhi, 2007, pp. 98-99.
5. Reserve Bank of India, All India Rural Credit Survey, Bombay, 1954.
6. Agarwal, R.N., Agricultural Finance, Vikash Publishing house, Pvt.,Ltd., Ghaziabad, U.P., 1969, p. 365.
7. Padmanabhan, K. P., Rural Financing Intermediation in Changing Perspective, Subhadra Saraswat Publication, Pune, 1986, p. 23.
8. Murray, W.G., Agricultural Finance Principles and Practices of Farm Credit, Ames Iowa, State College Press, 1947, p. 7.
9. Sarma, R.N., Role of Financial Institution in Economic Development of Orissa, in Misra, R.N.,(ed) Banks for Rural Development, Sonali Publication, New Delhi, 2007, p. 1.
10. Patro, K., Role of Institutional Finance in Agriculture: A Study in India,in Misra, R.N.,(ed) Banks for Rural Development, Sonali Publication, New Delhi, 2007, pp. 21-29.
11. Ibid 3, p. 621.
12. Ibid 4, p. 100.

13. Nicholson, F.A., Report on Land and Agricultural Book in Madras Presidency, Madras, vol-1, p. 23.
14. Banarjee, P.K., Indian Agricultural Economy, Financing Small Farmers, Chetan Publication, New Delhi, 1977, p. 344.
15. Darling, M., Punjab Peasants in Prosperity and Debt, Chetan Publication, New Delhi, 1989, p. 32.
16. Bapan, M.S., Regional Rural Banks, Their Working and Growth, Rural India, Vol-51, No-9, September, 1988.
17. Chintamani, R.M., An Evaluation of the Institutional Credit to Agriculture in India, Pune University, Thesis, Unpublished, 2015.
18. Trashed, L., Modern Economics, Houghton Mifflin Company Boston, 1969, p. 198.
19. Mellor, J.W., Economics of Agricultural Development, Vora and Company Publishers, Pvt, Ltd., Bombay, 1969, p. 314.
20. Dandekar, V.M., Agriculture Employment and Poverty, Economic and Political Weekly, Vol-21, No-38 &39, September, 1986.
21. Desai, B.M., Agriculture and Agricultural Business Issues under Economic Liberalization in Peter, D.S., (ed) Contemporary India in Transition, Sage Publications, New Delhi, 1998.
22. Morman, J. B., Principle of Rural Credit, Mac Millan Company, New York, 1999, pp. 146-147.
23. Ghosh, M.G., Investment Behaviour of Traditional and Modern Farm- A Comparative Study, Indian Journal of Agriculture Economics, Vol-24, No-4, 1969.
24. Desai, B.M., Level and Investment in Agriculture- a Micro Cross Section Analysis of a Progressive and Backward Area, Indian Journal of Agriculture Economics, Vol-24, No-4, 1969.
25. Shivamaggi, H.B., Reforms in Rural Banking: Need for Bolder Approach, Economic and Political Weekly, Vol-XXXV, No-20, 2000, pp. 1714-1718.

26. Puhazhendhi, V. and Jayaraman, B., Rural Credit Delivery: Performance and Challenges Befpre Banks, Economic and Political Weekly, January 16, 1999, pp. 175-182.
27. Ibid 3, pp. 622-623.
28. Ibid 3, p. 624.
29. Ibid 3, pp. 625-626.
30. Economic Survey, Directorate of Economics and Statistics, Assam, 2016-17, p. 194.
31. Dhar, P. K., The Economy of Assam, Kalyani Publishers, 2016, pp. 200-201.

## 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.<sup>1</sup>

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.<sup>2</sup>

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.<sup>3</sup>

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 facilities<sup>4</sup>

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 price<sup>5</sup>

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.<sup>6</sup>

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.<sup>7</sup>

### **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.”<sup>8</sup> 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.<sup>9</sup>

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.<sup>10</sup>

**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 indebtedness<sup>11</sup>.

#### **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-trap<sup>12</sup>.

#### **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.<sup>13</sup>

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.<sup>14</sup>

### **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. Veerashekharappa, Institutional Finance for Rural Development, Rawat Publication, Jaipur and New Delhi, 1997, pp. 171-173.
14. Ibid 13, pp. 181-183.

## CHAPTER IX

### Case Study Data Analysis

#### 9.1. Introduction

Sampling procedure refers that process by which we can understand and analyse the entire population depending on few number of events or individuals from where these are selected. This is a time saving and expenditure reducing system by which it can be found greater accuracy of the entire study.

The analysis of the present chapter is based on case study data collected from sample villages of Barpeta district for the purpose of study on agricultural credit. We have purposively selected Barpeta district as a case study area and 270 agriculturists' families and 10 branches of Assam Gramin Vikash Bank and 20 branches of other banking institutions have been selected on the basis of purposive sampling. The main objective of the study is to find out and analyse various issues relating to agricultural credit. Some other relevant information of sample agriculturists' families have also been collected without which perfect study regarding agricultural credit is impossible. In our study, data are collected by purposive sampling method and arranged the data in a tabular form to discuss the issue relating to the present study.

In the study, three clusters of farmers' families have been considered such as category-I including Brahmin, Kalita, Keot, Koch, Kaibartya, Hira etc, and category-II includes Tribals (Bodo) and category-III includes Immigrant Muslims. From each cast 90 families have been selected as sample families. Hence, total  $(90+90+90) = 270$  farmers' families have been undertaken from the case study area to collect information regarding various issues relating to Agricultural credit.

#### 9.2: Number of Family Members of Farmers

In our sample survey, the number of family members of the sample farmers' families has been taken in to consideration because the size of a household can directly affect on its socio-economic condition of an agriculturist. The community

wise distribution of family members of sample farmers' family are shown in the table-9.1.

**Table- 9.1: Number of Family Members of Farmers**

No. of Family Members	No. of Sample Family of Farmers					
	Category-I		Category-II		Category-III	
	No. of Households	Percentage	No. of Households	Percentage	No. of Households	Percentage
Less than 5	38	42.22	30	33.33	32	35.56
5-10	48	53.33	54	60.00	48	53.33
10-15	04	4.45	06	6.67	06	6.67
15 and above	-	-	-	-	04	4.44
Total	90	100	90	100	90	100

Source: Field Survey, 2018

During the period of investigation, it has been found that out of 90 sample category-I (Brahmin, Kalita, Keot, Koch, Kaibartya, Hira etc) farmers' families, 38 families have less than 5 family members, 48 families have the family members in between 5 to 10, 4 families have the family members in between 10 to 15 and there is not any single family of family members 15 and above of category-I farmers' family. In case of 90 sample category-II (tribal) farmers' family, 30 families have less than 5 members, 54 families have the family members in between 5 to 10, 6 families have the family members in between 10 to 15 and there is not any single family of family members 15 and above of tribal community. . In case of 90 sample category-III (immigrant Muslim) farmers' family, 32 families have less than 5 members, 48 families have the family members in between 5 to 10, 6 families have the family members in between 10 to 15 and 4 families have members 15 and above of immigrant Muslim community. The table reveals that among the three clusters farmers' families, category-III (immigrant Muslims) farmers' families have the highest family members and the category-I group have the lowest family members which was shown as 42.22 percent families having less than 5 family members.

Highest family members mean more cost of maintaining family and it reduces living standard and poor economic condition of farmers.

### 9.3: Dependency Ratio of Farmers

Dependency ratio of a farmers' family affects the economic condition of farmers. Dependent person increases consumption expenditure of a family without producing which reduces saving capacity of a family and ultimately lowers income of the farmers. The number of dependent persons of farmers' families is shown in the table 9.2.

**Table-9.2: Number of Dependent Persons of Farmers' Families**

No. of Dependent Person	No of Sample Farmers' Family					
	Category-I		Category-II		Category-III	
	No of Household	Percentage	No of Household	Percentage	No of Household	Percentage
0-3	16	17.78	06	6.67	06	6.67
3-6	66	73.33	76	84.44	56	62.22
6-9	06	6.67	08	8.89	20	22.22
9 and above	02	2.22	-	-	08	8.89
Total	90	100	90	100	90	100

Source: Field Survey, 2018.

The table- 9.2 shows that out of 90 category-I farmers, 16 farmers have dependent persons in between 0-3 in their family, 66 farmers have dependent persons in between 3-6, 06 farmers have dependent persons in between 6-9 and 2 farmers have dependent persons 9 and above in their family.

In case of category-II or tribal farmers' families, out of 90 tribal farmers, 6 farmers have dependent persons in between 0-3 in their family, 76 farmers have dependent persons in between 3-6 and 08 farmers have dependent persons in between 6-9 and there is not any tribal farmers' families of having dependent persons 9 and above in their family.

In case of category-III or immigrant Muslim farmers' families, out of 90 farmers, 6 farmers have dependent persons in between 0-3 in their family, 56 farmers have dependent persons in between 3-6, 20 farmers have dependent persons in between 6-9 and 08 tribal farmers' family have dependent persons 9 and above in their family. The study reveals that maximum no. of dependent persons is in between 3-6 in the farmers' families of all communities.

Weighted Arithmetic Mean has been implemented to know the dependency ratio among the three groups of farmers.

$$\text{Weighted Arithmetic Mean, } \bar{X}_w = \frac{\sum WX}{\sum W}$$

Here,  $\bar{X}_w$  = Weighted Arithmetic Mean

W = Weights attached to variable values

(Number of households)

X = The variable values (Percentage of households)

$$\begin{aligned} \text{In case of Category-I farmers, Weighted Arithmetic Mean, } \bar{X}_w &= \frac{\sum WX}{\sum W} \\ &= \frac{5168.72}{90} = 57.43 \end{aligned}$$

$$\begin{aligned} \text{In case of Category-II farmers, Weighted Arithmetic Mean, } \bar{X}_w &= \frac{\sum WX}{\sum W} \\ &= \frac{6528.58}{90} = 72.54 \end{aligned}$$

$$\begin{aligned} \text{In case of Category-III farmers, Weighted Arithmetic Mean, } \bar{X}_w &= \frac{\sum WX}{\sum W} \\ &= \frac{4039.86}{90} = 44.89 \end{aligned}$$

On comparing the weighted arithmetic means, it is clear that for category-II farmers, the mean value is the highest and hence, it can be concluded that the dependency ratio is the highest of the category-II farmers

#### **9.4: Educational Qualification of the Sample Farmers**

Education is the main indicator of development of a society. It is generally observed that there is an inverse relationship between education and agricultural activities because most of the educated persons are generally engaged in secondary

and tertiary sector rather than primary sector. But, there is a positive correlation existing between education and agricultural credit. Generally, the educated farmers take the opportunity of agricultural credit from banking institutions in comparison to illiterate farmers. The educational qualifications of farmers of all communities are shown in table 9.3.

**Table- 9.3: Educational Qualification of the Sample Farmers**

Educational Qualifications	No. of Sample Farmers					
	Category I		Category-II		Category-III	
	No. of hhs	Percentage	No. of hhs	Percentage	No. of hhs	Percentage
Illiterate	08	8.89	24	26.67	36	40.00
Below HSLC	34	37.77	30	33.34	30	33.34
HSLC	18	20.00	16	17.78	10	11.11
HS	14	15.56	12	13.33	10	11.11
UG	06	6.67	04	4.44	02	2.22
Graduate	08	8.89	04	4.44	02	2.22
Post-Graduate	02	2.27	Nil	Nil	Nil	Nil
Total	90	100	90	100	90	100

Source: Field Survey, 2018

The table 9.3 shows that category-I farmers have more educational qualification than category-II and category-III group of farmers. Out of 90 category-I farmers, 8 farmers are illiterates, 34 farmers are below HSLC, 18 farmers are HSLC passed, 14 farmers are HS passed, 6 farmers are Under Graduates, 8 farmers are Graduates and 2 farmers are Post Graduates.

In case of category-II or tribal group, out of 90 tribal farmers, 24 farmers are illiterates, 30 farmers are below HSLC, 16 farmers are HSLC passed, 12 farmers are HS passed, 4 farmers are Under Graduates, 4 farmers are Graduates and the farmers having Post Graduate degree is nil in this group.

In case of category-III or immigrant Muslim group, out of 90 farmers, 36 farmers are illiterates, 30 farmers are below HSLC, 10 farmers are HSLC passed, 10

farmers are HS passed, 2 farmers are Under Graduates, 2 farmers are Graduates and Post Graduate degree holder farmer is nil in this group.

The study reveals that 40 percent immigrant farmers are illiterates, 26.67 percent tribal farmers are illiterates and 8.89 percent of category-I farmers are illiterates and 8.89 percent and 2.27 percent farmers are Graduates and Post Graduates respectively. 4.44 percent tribal farmers are Graduates and no one is Post Graduates. 2.22 percent immigrant farmers are Graduates and Post Graduate farmer is nil in this group.

### **9.5: Age Wise Classification of Sample Farmers**

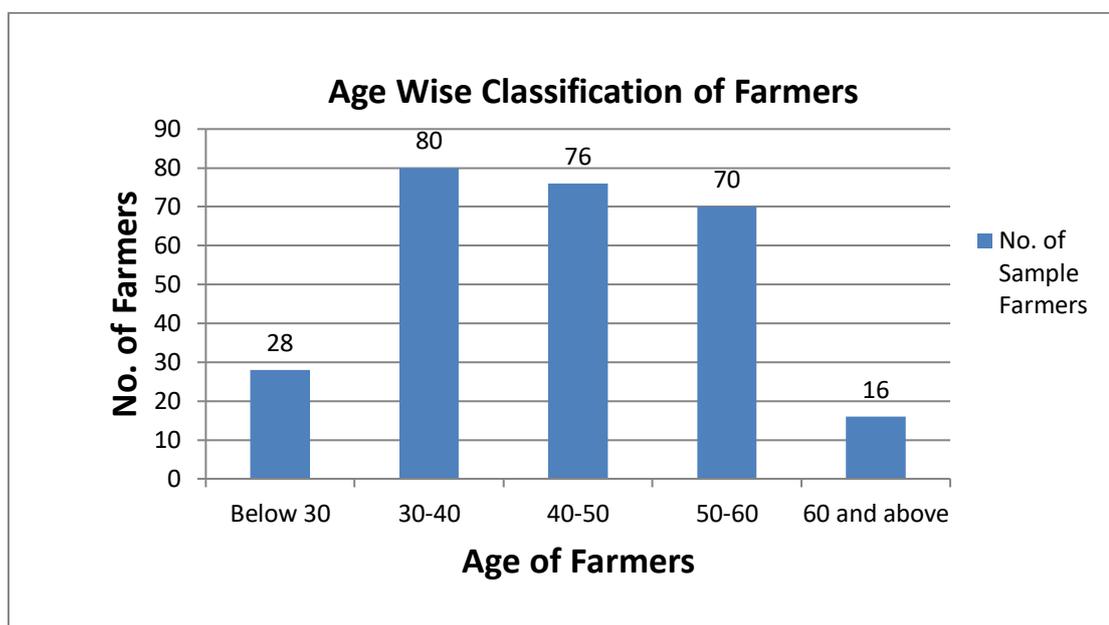
Age is one of the main determinant factors of representing productive capacities of farmers. Lower age and over age workers are unable to do work for a long time with full capacity. The composition of age of sample farmers are shown in table 9.4.

**Table- 9.4: Age Wise Classifications of Sample Farmers**

Age	No. of Sample Farmers	Percentage
Below 30	28	10.37
30-40	80	29.63
40-50	76	28.15
50-60	70	25.93
60 and above	16	5.92
Total	270	100

Source: Field Survey, 2018

The table 9.4 reveals that out of 270 sample farmers, 28 farmers are below 30 years of age, 80 farmers are between 30 to 40 years of age which age group is the most energetic and young, 76 sample farmers are between 40 to 50 years of age which group is known as elderly mature group, 70 farmers are between 50 to 60 years of age and 16 sample farmers are 60 and above years of age which group is old age group of farmers. The study shows that the highest 29.63 percent of farmers belong to the age group of 30 to 40 years and these age groups of people are known as more productive group.

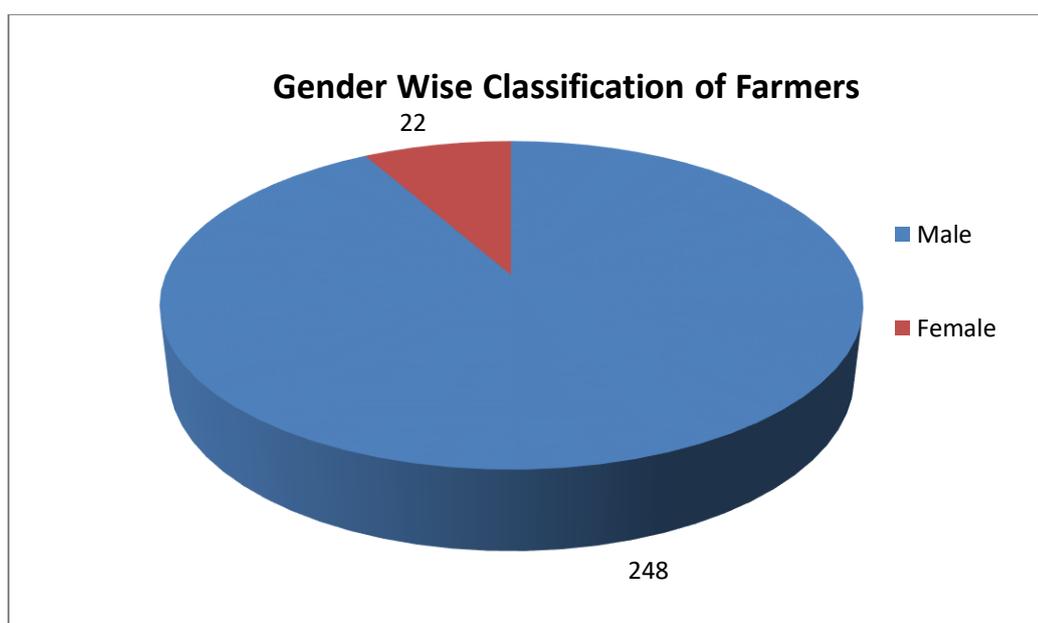
**Figure- 9.1: Age Wise Classification of Sample Farmers****9.6: Gender Wise Classification of Sample Farmers**

Males are generally engaged more in agricultural activities than the female. The table 9.5 shows the proportions of male and female farmers are associated with agricultural activities.

**Table - 9.5: Gender Wise Classification of Sample Farmers**

Gender	No. of Sample Farmers	Percentage
Male	248	91.85
Female	22	8.15
Total	270	100

Source: Field Survey, 2018

**Figure- 9.2: Gender Wise Classifications of Farmers**

The table 9.5 reveals that out of 270 sample farmers, 248 farmers are males and 22 farmers are females in the study area. It shows that 91.85 percent men and 8.15 percent women are contributing workforce in agricultural activities.

### 9.7: Marital Status of Farmers

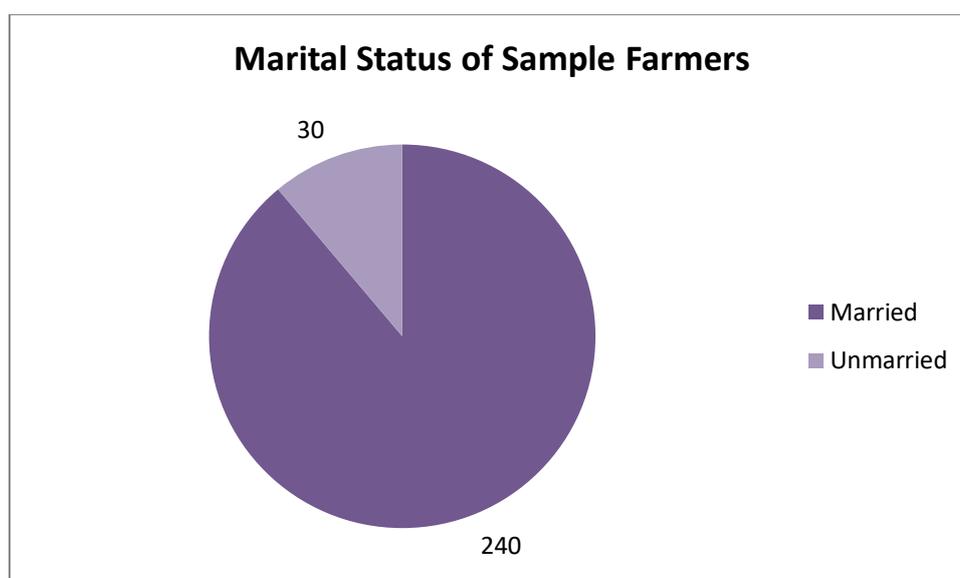
In Indian society, marriage is a social and religious duty for both boys and girls. Both married men and women are more responsible and serious for the improvement of their earning source activities. The following table no 9.6 shows the marital status of sample farmers.

**Table- 9.6: Marital Status of Farmers**

Marital Status	No. of Sample Farmers	Percentage
Married	240	88.89
Unmarried	30	11.11
Total	270	100

Source: Field Survey, 2018

The study shows that 88.89 percent married persons are associated with agricultural sector and only 11.11 percent unmarried persons are only doing work in agricultural sector.

**Figure- 9.3: Marital Statuses of Farmers**

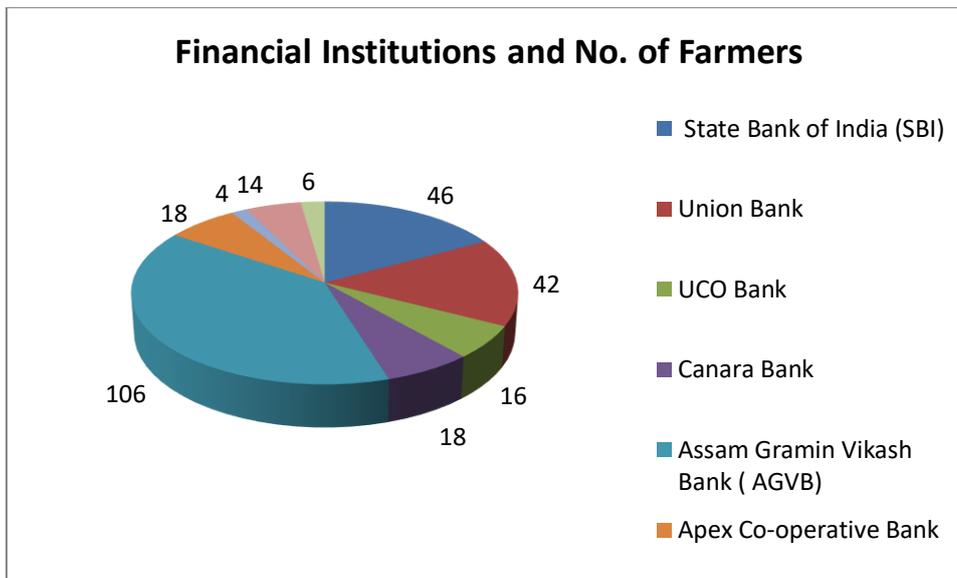
### 9.8: Institutional Sources of Agricultural Credit

Agricultural credit is an important pre-requisite for the development of agricultural sector. Banking institutions play pivotal role in providing credit for the improvement of agricultural sector. From the field investigation, it has been found that following banking institutions are the main sources of agricultural credit as shown in table 9.7.

**Table- 9.7: Institutional Sources of Agricultural Credit**

Financial Institutions	No. of Sample Farmers	Percentage
State Bank of India (SBI)	46	17.03
Union Bank	42	15.55
UCO Bank	16	5.93
Canara Bank	18	6.67
Assam Gramin Vikash Bank ( AGVB)	106	39.26
Apex Co-operative Bank	18	6.67
Co-operative Society	04	1.48
Bandhan Bank (private sector Bank)	14	5.19
H.D.F.C Bank ( private sector Bank)	06	2.22
Total	270	100

Source: Field Survey, 2018

**Figure- 9.4: Financial Institutions and No. of Farmers**

The table 9.7 reveals that out of 270 sample farmers, 46 sample farmers, i.e. 17.03 percent have received loans from SBI, 42 sample farmers, i.e. 15.55 percent farmers from union Bank and 16 ( 5.93 percent) sample farmers have taken loans from UCO Bank, 18 ( 6.67 percent) sample farmers have found to receive credit from Canara Bank, 106 ( 39.26 percent) sample farmers have received loan from AGVB and 18 (6.67 percent) sample farmers are able to receive loans from Apex Bank and 04 ( 1.48 percent ) sample farmers have taken loans from Co-operative Society, 14 ( 5.19 percent ) farmers from Bandhan bank and 06 ( 2.22 percent ) sample farmers have received loans from HDFC Bank in the study area. From the field investigation, it is found that Assam Gramin Vikash Bank has been playing an important role in providing agricultural credit to farmers which is the first loan provider Bank and the second highest agricultural credit provider Bank is SBI and the third loan provider Bank is Union Bank.

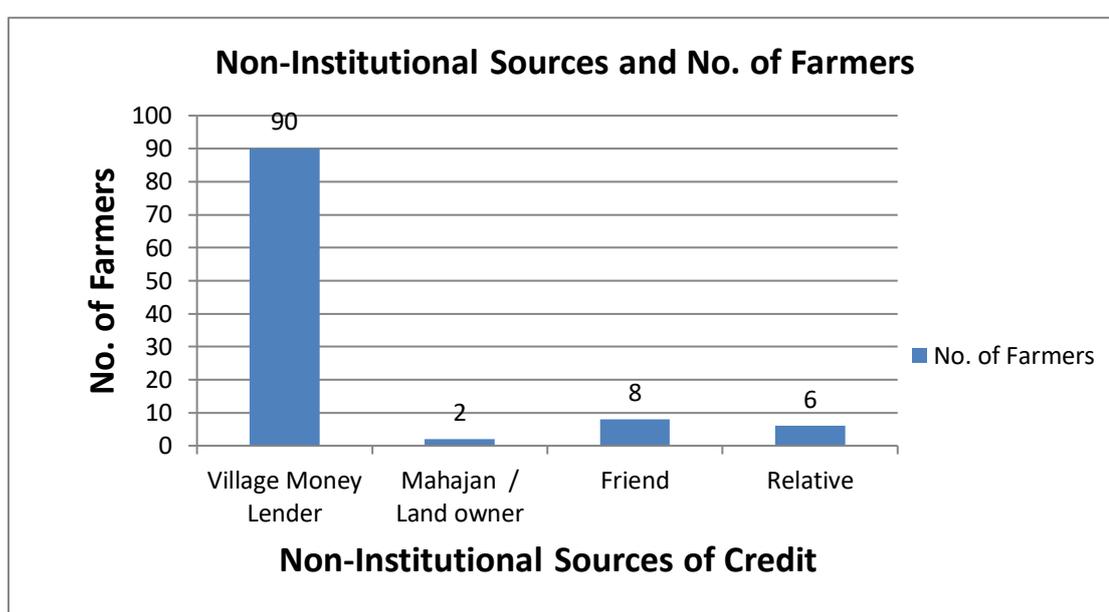
### **9.9: Non-Institutional Sources of Agricultural Credit**

Credit is an important requirement for the development of agricultural sector. Since, banking institutions provide insufficient credit amount, hence, farmers need to take loan from non-institutional sources. Non-institutional sources of credit are more exploitative. The table 9.8 shows that number of farmers have received loan from different non-institutional sources.

**Table-9.8: Non-Institutional Sources of Agricultural Credit**

Non-Institutional Sources of Agricultural Credit	No. of Farmers	Percentage
Village Money Lender	90	84.90
Mahajan / Land owner	02	1.89
Friend	08	7.55
Relative	06	5.66
Total	106	100

Source: Field Survey, 2018

**Figure- 9.5: Non-Institutional Sources of Agricultural Credit**

The table 9.8 shows that out of 270 sample farmers, 106 farmers have received loan from non-institutional sources in the study area, 90 ( 84.90 percent) sample farmers have taken loan from village money lender, 2 (1.89 percent) from mahajan or land owner, 8 (7.55 percent) from friend and 6 (5.66) farmers have received loan from relative. The study reveals that 84.90 percent sample farmers have taken loan from village money lender at a very high rate of interest. Hence, till now, non-institutional sources are playing a crucial role in providing loan to agricultural sector.

### 9.10: Financial Institutional Facilities of Farmers

Financial availability is most important requirement for the socio-economic development of a country. Banking facilities are quite necessary for providing finance to agricultural as well as industrial sector. During the field investigation, it has been found that due to insufficiency of financial institutions in village area, farmers have to borrow fund from non-institutional sources at an exorbitant rate of interest. Table 9.9 shows the banking facilities of farmers in the study area.

**Table- 9.9: Financial Facilities of Sample Farmers**

Distance of Financial Institution ( in Kms)	No. of Farmers	Percentage
0-2	30	11.11
2-4	30	11.11
4-6	60	22.22
6 and above	150	55.56
Total	270	100

Source: Field Survey, 2018

The table 9.9 reveals that out of 270 sample farmers, 30 farmers can avail banking services within the range of 0 to 2 kilometers, another 30 farmers are able to get banking facilities within the range of between 2 to 4 kilometers, again 60 sample farmers need to go between 4 to 6 kilometers to reach banking institution and 150 farmers have to cross the distance of 6 kilometers and above for getting banking facilities in the study area. The study shows that 55.56 percent sample farmers need to go 6 kilometers and above to take the opportunities of banking facilities and 11.11 percent can reach the banking facilities in the distance of between 0 to 2 kilometers.

### 9.11: Marketing Facilities of Farmers

Market is one of the basic infrastructures for the development of socio-economic condition of farmers. Marketing facilities is very important for the agricultural sector. Farmers can sell their agricultural produces at reasonable prices in proper time. Most of the farmers are bound to sell their agricultural produces at low prices to intermediaries due to lack of marketing facilities in village area or interior places. The table 9.10 shows the marketing facilities available in the study areas.

**Table- 9.10: Marketing Facilities of Farmers**

Distance of Marketing Facilities ( in Kms)	No. of Farmers	Percentage
0-2	30	11.11
2-4	30	11.11
4-6	60	22.22
6-8	60	22.22
8-10	30	11.11
10 and above	60	22.22
Total	270	100

Source: Field Survey, 2018

The table 9.10 reveals that out of 270 sample farmers, 30 ( 11.11 percent) farmers are getting marketing facilities in a distance of 0 to 2 kilometers, another 30 ( 11.11 percent) farmers' villages are situated at a distance of 2 to 4 kilometers from market places, 60 ( 22.22 percent) farmers need to go 4 to 6 kilometers to market, again 60 ( 22.22 percent) farmers are getting marketing facilities at a distance between 6 to 8 kilometers, again 30 (11.11) sample farmers are able to reach market place in a distance of 8 to 10 kilometers, another 60 (22.22) sample farmers need to go 10 kilometers and above to take part in marketing facilities.

### 9.12: Classification of Farmers on the Basis of Land Holding

Farmers are classified on the basis of size of landholding. As per agricultural census conducted in 2011 in India, a farmer having the landholding size less than 1 hectare is known as marginal farmer, landholding size in between 1 to 2 hectares is known as small farmer, landholding capacity of a semi-medium farmer is between 2 to 4

hectares, the landholding size between 4 to 10 hectares is known as medium farmer and the landholding size above 10 hectares is known as big farmer. The classification of farmers depending on landholding can be shown in table 9.11.

**Table- 9.11: Classification of Farmers**

Types of Farmers	Numbers of Sample Farmers					
	Category-I		Category-II		Category-III	
	No. of Households	Percentage	No. of Households	Percentage	No. of Households	Percentage
Marginal Farmers	46	51.11	66	73.33	70	77.78
Small Farmers	26	28.89	14	15.56	11	12.22
Semi-medium Farmers	10	11.11	05	5.56	05	5.56
Medium Farmers	06	6.67	04	4.44	04	4.44
Big Farmers	02	2.22	01	1.11	-	-
Total	90	100	90	100	90	100

Source: Field Survey, 2018

The table 9.11 shows that out of 90 category-I sample farmers, 46 sample farmers are marginal, 26 are small farmers, 10 are semi-medium farmers, 6 are medium and 2 are big farmers.

In case of category-II (tribal) farmers, out of 90 sample farmers, 66 are marginal, 14 are small, 5 are semi-medium, 4 are medium and only 1 is big farmers.

In case of category-III (immigrant class), out of 90 sample farmers, 70 are marginal, 11 are small, 5 are semi-medium and 4 are medium farmers. There is not any big farmer in this group. In the field investigation, it has been found that 51.11 percent of category-I farmers, 73.33 percent of tribal farmers and 77.78 percent of immigrant muslim farmers are marginal. 2.22 percent of category-I farmers and 1.11 percent of tribal farmers are big farmers. In category-III group, a big farmer is nil. During field survey, it was observed that though big farmer is nil in category-III, yet, they produced more agricultural output, especially vegetables and horticulture output

because farmers of this group are more laborious and efficient in agricultural activities.

### 9.13: Delay in sanctioning of Loan

One of the serious problems of agricultural credit is that farmers are not getting loan in time. During field survey, it was found that 60.74 percent sample farmers were not able to get loan in time. Only 39.26 percent sample farmers received loan in time. The table 9.12 shows the time of advancing loan.

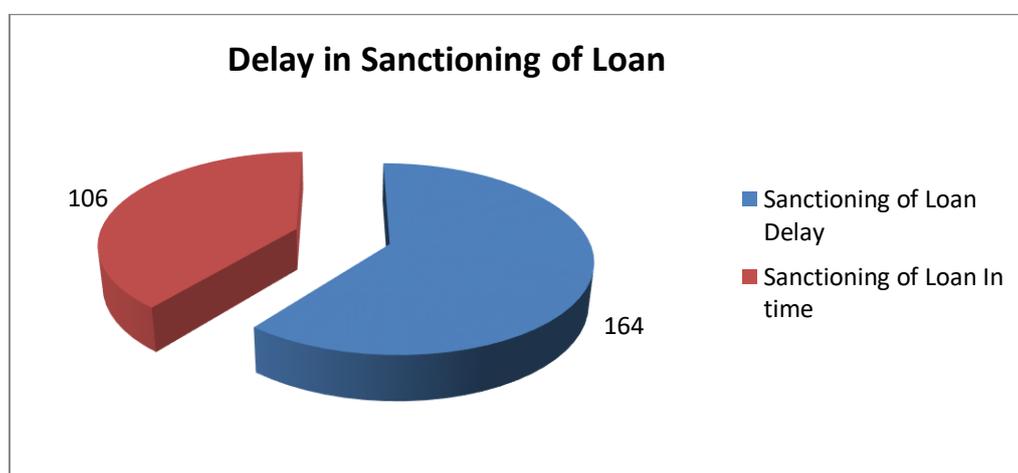
**Table- 9.12: Delay in Sanctioning of Loan**

Number and Categories of Farmers	Time Required for Sanctioning Loan		Total
	Delay	In Time	
No. of Category-I Farmers	50 (55.56 Percent)	40 (44.44 Percent)	90
No. of Category-II Farmers	56 (62.22 Percent)	34 (37.78 Percent)	90
No. of. Category-III farmers	58 (64.44 Percent)	32 (35.56 Percent)	90
Total	164 ( 60.74 Percent)	106 (39.26 Percent)	270

Source: Field Survey, 2018

The table 9.12 clearly reveals that out of 270 sample farmers, 164 farmers viewed that there was delay in sanctioning loan for which they could not perform agricultural activities in time. On the other hand, 106 farmers received their loan in time. So the hypothesis delay in sanctioning loan is true.

**Figure- 9.6: Delay in Sanctioning of Loan**



Chi-square ( $\chi^2$ ) test has been implemented to know the significance differences among different group of farmers regarding delay in sanctioning loan from banks.

In the table-9.12,  $v(\text{nu}) = (r-1)(c-1) = (3-1)(2-1) = 2$

Table value of  $\chi^2$  for  $v(\text{nu}) = 2$  degree of freedom, at 5 percent level of significance is equal to 5.991. ( $\chi^2_{0.05} = 5.991$ )

Calculated value of  $\chi^2 = \sum[(O - E)^2 / E] = 1.61$

The calculated value of chi-square ( $\chi^2 = 1.61$ ) is less than the table value ( $\chi^2_{0.05} = 5.991$ ), at 5 percent level of significance. Hence, a difference among the different categories of farmers is not significant. Majority of farmers opined that there was delay in sanctioning loan. So the hypothesis delay in sanctioning loan is true.

### 9.14: Causes of Delay in Sanctioning Loan

Delay in disbursement of loan is one of the main hindrances in the development of agricultural sector. During field survey, it was clear that 60.98 percent sample farmers viewed that at the time of sanctioning loan, they were facing the problem of queries on documents. The illiterate farmers had to submit the documents again and again. Again, 14.63 percent viewed that shortage of bank staff is a reason and another 24.39 percent viewed that ill attitude of bank officials is the cause of delay in sanctioning loan. The following table 9.13 shows the causes of delay in sanctioning loan.

**Table- 9.13: Causes of Delay in Sanctioning Loan**

Causes of Delay in Sanctioning Loan	No. of Farmers	Percent
Shortage of Bank Staff	24	14.63
Queries	100	60.98
Lack of Fund	-	-
Ill Attitude of Bank Official	40	24.39

Source: Field Survey, 2018

The table 9.13 shows that out of 164 sample farmers commented on delay in sanctioning loan, 24 farmers viewed on shortage of bank staff, 100 viewed on queries of document and 40 viewed on ill- attitude of Bank officials were the main causes of

delay in sanctioning loan. Not a single respondent had mentioned the lack of fund as a cause of delay in sanctioning loan.

### 9.15: Adequacy of Loan Amount

Sufficient supply of credit is necessary to perform agricultural activities in proper way and at proper time. In the field investigation, it was found that 86.30 percent farmers had expressed their opinions that they were getting inadequate amount of credit from financial institutions and only 13.70 percent sample farmers were found receiving sufficient amount of agricultural credit. The table 9.14 shows the availability of loan amount for execution of agricultural activities.

**Table- 9.14: Adequacy of Loan Amount**

Number and Categories of Farmers	Supply of Credit Amount		Total
	Sufficient	Insufficient	
No. of Category-I Farmers	15 (16.67 percent)	75 (83.33 percent)	90
No. of Category-II Farmers	12 (13.33 percent)	78 ( 86.67 percent)	90
No. of. Category-III farmers	10 (11.11 percent)	80 ( 88.89 percent)	90
Total	37 ( 13.70 percent)	233 ( 86.30 percent)	270

Source: Field Survey, 2018

The table 9.14 shows that out of 270 sample farmers, 233 farmers had opined that they were receiving insufficient amount of credit for which credit had been utilised in unproductive ways and only 37 farmers were found of getting sufficient amount of credit. Hence, inadequacy of institutional credit amount is one of the serious problems of agricultural credit and the hypothesis insufficiency of credit amount is true.

Chai- square ( $\chi^2$ ) test has been used to test the significance differences among different group of farmers regarding adequacy of sanctioning loan amount from banks.

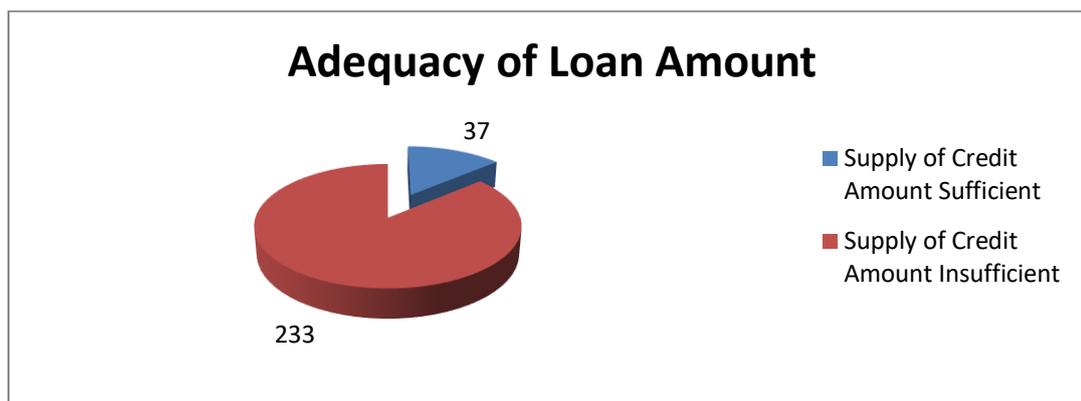
In the table-9.14,  $v(\text{nu}) = (r-1)(c-1) = (3-1)(2-1) = 2$

Table value of  $\chi^2$  for  $v(\text{nu}) = 2$  degree of freedom, at 5 percent level of significance is equal to 5.991. ( $\chi^2_{0.05} = 5.991$ )

Calculated value of  $\chi^2 = \sum [ (O - E)^2 / E ] = 1.19$

The calculated value of chi-square ( $\chi^2 = 1.19$ ) is less than the table value ( $\chi^2_{0.05} = 5.991$ ), at 5 percent level of significance. Hence, a difference among the different categories of farmers is not significant. Farmers got insufficient amount of agricultural credit from financial institution is true and hence, the hypothesis insufficient agricultural credit is accepted.

**Figure- 9.7: Adequacy of Loan Amount**



### 9.16: Services of Banking Institutions of Credit Availed

Properly execution of agricultural credit in agriculture sector is highly depending on services rendered by the bank officials from where farmers avail credit. During field survey, it was observed that 66.67 percent sample farmers were not satisfied on services rendered by the bank official from where they availed credit. Only 33.33 percent sample farmers were satisfied on services of financial institutions. The table 9.15 shows the services of banking institutions during the period of advancing credit.

**Table- 9.15: Services of Banking Institutions of Credit Availed**

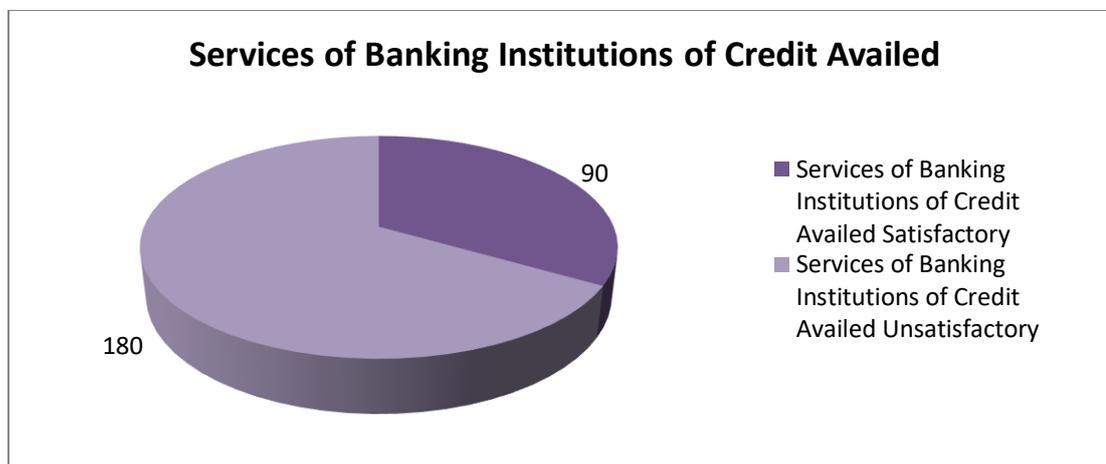
Number and Percent of Sample Farmers	Services of Banking Institutions of Credit Availed		Total
	Satisfactory	Unsatisfactory	
No. of Farmers	90	180	270
Percentage	33.33	66.67	100

Source: Field Survey, 2018

The table 9.15 reveals that out of 270 sample farmers, 180 farmers viewed that they were getting unsatisfactory services of the banking institutions from where they

received agricultural credit and only 90 farmers found satisfactory services from bank officials of credit availed.

**Figure-9.8: Services of Banking Institutions of Credit Availed**



### 9.17: Rate of Interest of Agricultural Credit Charged by the Financial Institutions

Rate of interest is one of the determinant factors of agricultural credit. Farmers are not interested to take loan at a high rate of interest. So, the rate of interest should be affordable to farmers. During the period of field investigation, it has been found that 64.81 percent sample farmers expressed their opinions that the rate of interest of agricultural credit charged by the banking institutions is affordable and reasonable and 35.19 percent expressed their views that the rate of interest of agricultural credit is high and unbearable. The table 9.16 shows the rate of interest of agricultural credit charged by the financial institutions.

**Table- 9.16: Rate of Interest of Agricultural Credit charged by the Financial Institution**

Number and Percentage of Farmers	Rate of Interest is Affordable		Total
	Yes	No	
No. of Farmers	175	95	270
Percentage	64.81	35.19	100

Source: Field Survey, 2018

The table 9.16 reveals that out of 270 sample farmers, 175 farmers express their views that rate of interest of agricultural credit charged by the financial institutions is affordable and 95 opine that the rate of interest of agricultural credit is high.

### **9.18: Existence of Middle Man in the Process of Disbursement of Agricultural Credit**

Another problem of agricultural credit is the existence of middle man in the process of disbursement of agricultural credit. Some illiterate farmers don't know about the banking procedure of agricultural credit and they take help of a middleman and the middleman takes a fee from the borrower which is actually an extra expenditure of farmers in the process of taking loan. In the field survey, it was found that 22.22 percent sample farmers took middleman in the process of taking loan and 77.78 percent were getting loan without any help of middle man. The table 9.17 shows the existence of middleman in the process of disbursement of agricultural credit.

**Table-9.17: Existence of Middleman in the Process of Disbursement of Agricultural Credit**

Number and Percentage of Farmers	Existence of Middle Man		Total
	Yes	No	
No. of Farmers	60	210	270
Percentage	22.22	77.78	100

Survey: Field Survey, 2018

The table 9.17 shows that out of 270 sample farmers, 60 farmers had taken help of middle man in the process of taking loan and 210 farmers were receiving loan without any helping hand of middle man in the process of taking agricultural credit.

### **9.19: Payment of Bribe in the Process of Sanctioning Agricultural Credit**

Bribery, one of the malpractices, exists in the process of sanctioning agricultural credit. Sometimes illiterate farmers have completed all procedure of loan with the help of brokers or commission agents for which farmers need to pay fees to them and some bank official also demand money from poor farmers. During field survey, it was seen that 18.52 percent of sample farmers made payment to brokers as a bribe for sanctioning loan and 81.48 percent of farmers were found that they were

receiving loan without paid any bribe to brokers The following table no 9.18 shows the payment of bribe in the process of sanctioning loan.

**Table - 9.18: Payment of Bribe in the Process of Sanctioning Agricultural Credit**

Number and Percentage of Farmers	Payment of Bribe		Total
	Yes	No	
No. of Farmers	50	220	270
Percentage	18.52	81.48	100

Source: Field Survey, 2018

The table 9.18 shows that out of 270 sample farmers, 50 farmers were found that they paid bribe in the process of sanctioning loan and another 220 farmers were getting credit without payment of any bribe.

## 9.20: Indebtedness of Farmers' Family

Indebtedness is a chronic character of farmers' families. Generally, farmers' families are in a debt trap which is due to lower income. Farmers borrow frequently for a number of reasons such as to purchase domestic implements, agricultural inputs, even to collect their minimum requirement of food and clothing and also to meet some social customs. During field survey, it was found that 55.56 percent sample farmers were already indebted before taking loan from banks and 44.44 percent farmers were free from debt obligation. The table 9.19 shows the indebtedness of farmers.

**Table- 9.19: Indebtedness of Farmers**

Number and Percentage of Farmers	Indebtedness of Farmers		Total
	Yes	No	
No. of Farmers	150	120	270
Percentage	55.56	44.44	100

Source: Field Survey, 2018

The table 9.19 shows that out of 270 sample farmers, 150 farmers were in indebtedness before taking loan from banks and 120 farmers were found that they were free from debt burden during the time of taking loan from banking institutions.

## 9.21: Causes of Indebtedness of Farmers' Families

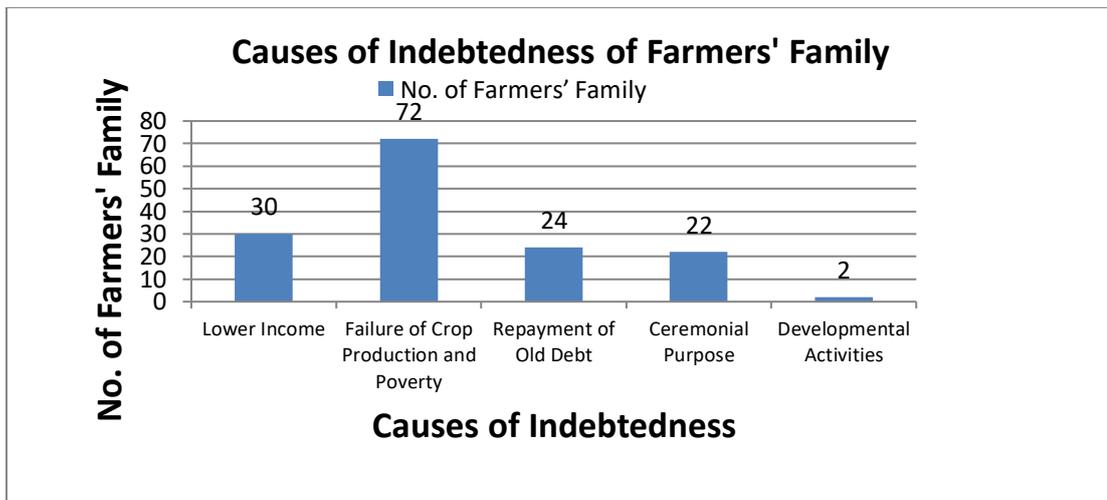
Poverty is the root cause of indebtedness of farmers' families. Lower income of farmers which may be due to lower and irregular production of agricultural sector is another cause of indebtedness of farmers' families. The income levels of farmers are so meagre that they are not able to maintain their daily family expenditure. Hence, they borrow from various sources and ultimately live in a debt trap. The main causes of indebtedness of farmers' families are shown in table 9.20.

**Table- 9.20: Causes of Indebtedness of Farmers' Families**

Causes of Indebtedness	No. of Farmers' Family	Percentage
Lower Income	30	20.00
Failure of Crop Production and Poverty	72	48.00
Repayment of Old Debt	24	16.00
Ceremonial Purpose	22	14.67
Developmental Activities	02	1.33
Total	150	100

Source: Field survey, 2018

The table 9.20 shows that out of 270 sample farmers, 150 farmers were found in indebtedness. Out of 150 indebted farmers, 30 farmers were living in indebtedness condition due to lower income of farmers' family, 72 farmers on account of poverty as a result of failure of crop production, 24 for repayment of old debt, 22 for ceremonial purposes and only 2 for developmental activities. From the field survey, it was clear that 48 percent farmers were living in a condition of indebtedness due to poverty as a result of failure of crop production.

**Figure-9.9: Causes of Indebtedness of Farmers' Familie**

It was assumed that indebtedness is caused by several socioeconomic factors like low level of income, crop failure and poverty, repayment of old debt, developmental activities, etc, i.e.

$Y_i = f(\text{Lower income, Failure of crop production and poverty, Repayment of old debt, Ceremonial purpose, Developmental activities})$

Where  $Y$  = Indebtedness of  $i^{\text{th}}$  households

$i = 1-270$  households.

Lower income ( $X_1$ ): Whether households' income is low or not,  
If yes = 1, 0 otherwise, (Here, lower income level household is assumed up to Rs. 1500 per month)

Crop failure and poverty ( $X_2$ ): Whether the household suffered from crop failure and poverty or not, if yes = 1, 0 otherwise.

(Here, poverty line is measured of Rs. 32 in rural areas and Rs. 47 in urban areas per day income as per Rangarajan committee report set up by the planning commission)

Repayment of old debt ( $X_3$ ): Whether the household need to repay the old debt or not, if yes = 1, 0 otherwise.

Ceremonial purpose ( $X_4$ ): Whether the household expenditure on ceremonial purpose or not, if yes = 1, 0 otherwise.

(Here, ceremonial means marriage ceremony and

religious purpose )

Developmental activities ( $X_5$ ): Whether the household expenditure on socio-economic development activities or not, if yes = 1, 0 otherwise.

So, multiple linear regression analysis was run to explore the significant variable influencing indebtedness of a farmer taking total amount of indebtedness (Rs) as dependent variable. Thus, the multiple regression takes the form:

$$Y_i = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5$$

More specifically

$$Y_i = b_0 + b_1 \text{Lower income} + b_2 \text{Crop failure and poverty} + b_3 \text{Repayment of old debt} + b_4 \text{Ceremonial purpose} + b_5 \text{Developmental activities.}$$

The explanatory variables, their mean, standard deviation and expected influence are presented in the table 9.20(a), 9.20(b), 9.20(c) and 9.20(d)

<b>Table- 9.20(a) Descriptive Statistics</b>					
Variables	Variable detail	Mean	Std. Deviation	N	Expected influence
Lowincome	Lower Income	.1152	.31991	270	+
crop_failure	Failure of Crop Production and Poverty	.2677	.44356	270	+
old_debt	Repayment of Old Debt	.0892	.28559	270	+
ceremonial	Ceremonial Purpose	.0781	.26878	270	+
devt_acvty	Developmental Activities	.0074	.08607	270	+

Overall summary of the regression analysis is presented in the table given below. R Square and Adjusted R square values are found to be 0.784 and 0.780 respectively. The statistically significant value of F shows the overall good fit of the model.

**Table-9.20(b): Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.886 <sup>a</sup>	.784	.780	12564.26487	2.041

a. Predictors: (Constant), devt\_acvty, ceremonial, old\_debt, lowincome, crop\_failure

b. Dependent Variable: total\_indebt

**Table-9.20(c) :ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.510E11	5	3.020E10	191.295	.000 <sup>a</sup>
	Residual	4.152E10	263	1.579E8		
	Total	1.925E11	268			

a. Predictors: (Constant), x5, x4, x3, x1, x2

b. Dependent Variable: y

The coefficient table given below shows that all the explanatory variable has significant influence on the dependent variable with their expected sign of influence.

Thus the result supports the research hypothesis that the poverty is one of the main reasons for indebtedness of farmers.

**Table-9.20(d): Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.657E-11	1151.764		.000	1.000
	lowincome	49774.194	2533.544	.594	19.646	.000
	crop_failure	46916.667	1875.919	.776	25.010	.000
	old_debt	44541.667	2811.422	.475	15.843	.000
	ceremonial	51000.000	2973.843	.511	17.150	.000
	devt_acvty	36500.000	8958.624	.117	4.074	.000

a. Dependent Variable: total\_indebt

### **9.22: Visited by the Bank Staff to Encourage and to Observe the Utilizations of Credit Amount**

Bank officials should make an enquiry on the proper utilisation of loan amount and borrowers' working place should be visited by the bank staff to encourage them and to observe the progress of project for which farmers take loan. In the field survey, it was found that 81.48 percent farmers' working field was not visited by the bank officials and 18.52 percent farmers were found that their working places were visited by the bank staff. The table 9.21 shows the visited by the bank staff to observe the utilisation of loan amount.

**Table- 9.21: Visited by the Bank staff to observe the utilization of credit amount**

Number and Percentage of Farmers	Visited by the Bank Staff		Total
	Yes	No	
No. of Farmers	50	220	270
Percentage	18.52	81.48	100

Source: Field Survey, 2018

The table 9.21 reveals that out of 270 sample farmers, 50 farmers' working places were visited by the bank staff and 220 farmers were found that their working places were not visited by the bank staff to observe their working places and to insist them to return their loan amount.

### **9.23: Borrowing Procedure of Institutional Credit**

The borrowing procedure of institutional credit from banking institutions is so complicated that farmers do not like to take loan from banks. The borrowers need to submit various documents, certificates, land record certificated and property mortgage certificate which make the borrowing procedure complicated. This complicated borrowing process of banking institutions is one of the serious problems of agricultural credit. The farmers, particularly illiterate, are not interested to follow the complicated lending procedure of banks and they directly take loan from non-institutional sources at a high rate of interest. During the time of field survey, it was found that 62.96 percent farmers expressed their opinions that the borrowing procedure of institutional credit was complicated and 37.04 percent viewed that

borrowing procedure of agricultural credit was simple. Whether the borrowing procedure of institutional credit is complicated or simple is shown in table 9.22.

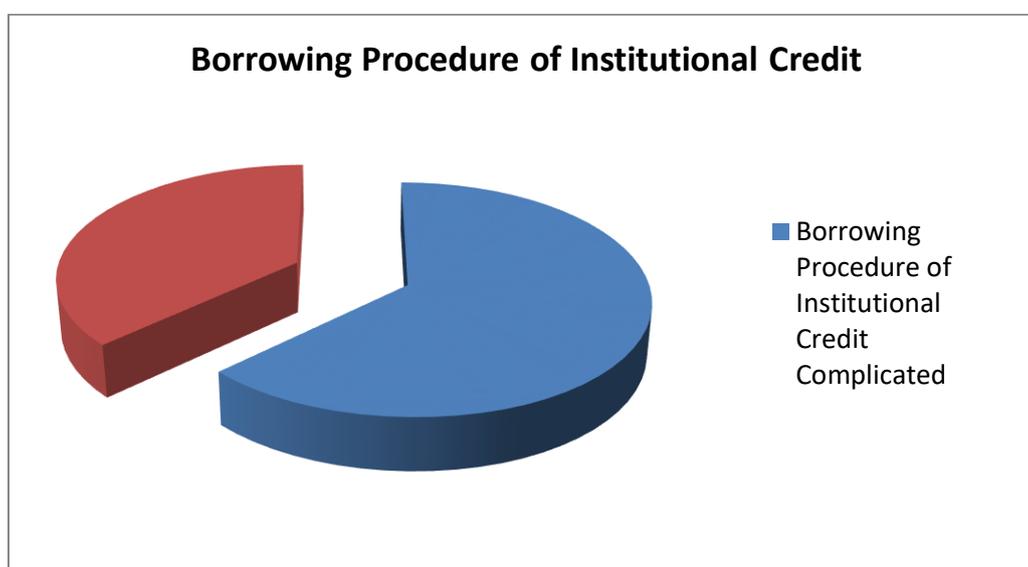
**Table-9.22: Borrowing Procedure of Institutional Credit**

Number and Categories of Farmers	Borrowing Procedure of Institutional Credit		Total
	Complicated	Simple	
No. of Category-I Farmers	53 (58.89 Percent)	37 (41.11Percent)	90
No. of Category-II Farmers	57 (63.33 Percent)	33 (36.67 Percent)	90
No. of. Category-III farmers	60 (66.67 Percent)	30 (33.33 Percent)	90
Total	170 (62.96 Percent)	100 (37.04 Percent)	270

Source: Field Survey, 2018

The table 9.22 shows that out of 270 sample farmers, 170 farmers opined that borrowing procedure of institutional credit was complicated and another 100 farmers expressed their opinions that borrowing procedure of institutional credit was simple. They viewed that the system of taking loan from financial institutions was easy. Hence, the hypothesis complicated borrowing procedure is true.

**Figure- 9.10: Borrowing Procedure of Institutional Credit**



Chai- square ( $\chi^2$ ) test has been implemented to know the significance difference among different group of farmers regarding borrowing procedure of institutional credit is complicated.

In the table-9.22,  $v(nu) = (r-1)(c-1) = (3-1)(2-1) = 2$

Table value of  $\chi^2$  for  $v(nu) = 2$  degree of freedom, at 5 percent level of significance is equal to 5.991. ( $\chi^2_{0.05} = 5.991$ )

Calculated value of  $\chi^2 = \sum [(O - E)^2 / E] = 1.27$

The calculated value of chi-square ( $\chi^2 = 1.27$ ) is less than the table value ( $\chi^2_{0.05} = 5.991$ ), at 5 percent level of significance. Hence, a difference among the different categories of farmers is not significant. Majority of farmers viewed that the borrowing procedure of institutional credit is complicated. So the hypothesis complicated borrowing procedure of institutional credit is accepted.

### 9.24: System of Repayment of Agricultural Credit

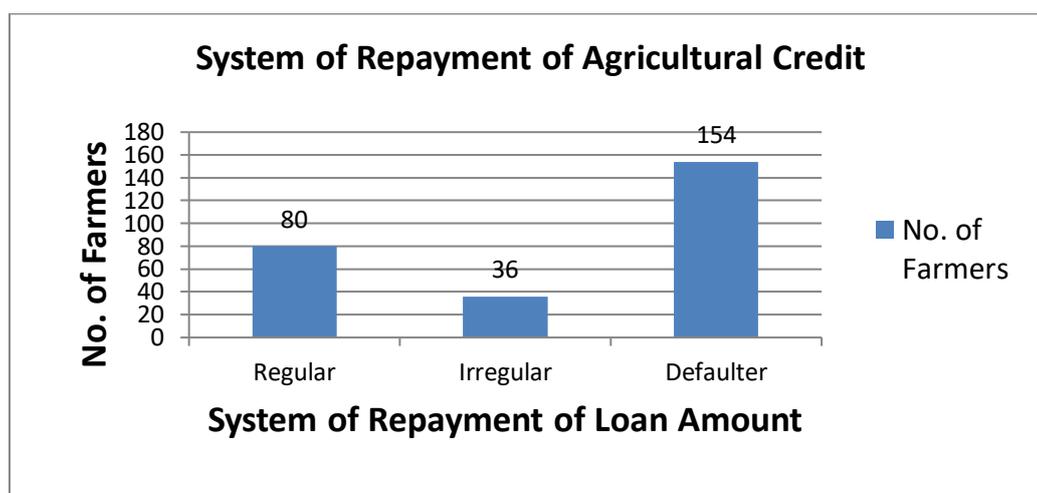
Agricultural credit structure is highly dependent on repayment behaviour of the beneficiaries. Repayment of loan installment in a regular basis is essential for recycling of fund. The banking institutions are always facing a serious problem of default of loan installment which may paralyse the entire financial system. In the field survey, it was observed that 29.63 percent borrowers paid loan installment regularly and 13.33 percent paid their installment of loan irregularly. On the other hand, 57.04 percent were found defaulters. The repayment conditions of agricultural credit are shown in table 9.23.

**Table- 9.23: System of Repayment of Agricultural Credit**

Loan Repayment System	No. of Farmers	Percentage
Regular	80	29.63
Irregular	36	13.33
Defaulter	154	57.04
Total	270	100

Source: Field Survey, 2018

The table 9.23 shows that out of 270 sample farmers, 80 farmers paid loan installment regularly and 36 farmers paid loan installment irregularly. 154 farmers were found defaulters.

**Figure-9.11: System of Repayment of Agricultural Credit**

### 9. 25: Utilisation of Loan Amount in Proper Way

Utilisation of loan amount in unproductive way is the serious problem of agricultural credit. It is important to use the loan amount in proper way to reduce the overdue problem of agricultural credit. During the time of field survey, it was observed that 44.44 percent farmers utilised their loan amount in proper way and another 55.56 percent farmers were found that they used their loan amount in non-productive activities. The following table 9.24 shows the system of utilization of loan amount.

**Table -9.24: Utilisation of Loan Amount in Proper Way**

Number and Categories of Farmers	Utilisation of Loan Amount in proper way		Total
	Yes	No	
No. of Category-I Farmers	43 (47.78 Percent)	47 ( 52.22 Percent)	90
No. of Category-II Farmers	40 (44.44 percent)	50 ( 55.56 Percent)	90
No. of. Category-III farmers	37 (41.11 Percent)	53 ( 58.89 Percent)	90
Total	120 (44.44 Percent)	150 ( 55.56 Percent)	270

Source: Field Survey, 2018

The table 9.24 shows that out of 270 sample farmers, 120 farmers utilised their loan amount in proper way, another 150 sample farmers did not use the loan amount in proper way, i.e. they used the loan amount in unproductive activities and social ceremonies.

Chi-square ( $\chi^2$ ) test has been implemented to know the significance differences among different group of farmers regarding misutilisation of agricultural credit in unproductive activities.

In the table-9.24,  $v(\text{nu}) = (r-1)(c-1) = (3-1)(2-1) = 2$

Table value of  $\chi^2$  for  $v(\text{nu}) = 2$  degree of freedom, at 5 percent level of significance is equal to 5.991. ( $\chi^2_{0.05} = 5.991$ )

Calculated value of  $\chi^2 = \sum [ (O - E)^2 / E ] = .81$

The calculated value of chi-square ( $\chi^2 = .81$ ) is lower than the table value ( $\chi^2_{0.05} = 5.991$ ), at 5 percent level of significance. Hence, a difference among the different categories of farmers is not significant. Farmers misused the agricultural loan in unproductive purposes is true and the hypothesis misutilisation of agricultural credit is accepted.

### 9.26: The Alternative Way of Spending the Agricultural Credit

The main purpose of borrowing agricultural credit is to develop the agricultural sector and produce more output. In actual practice, all borrowers do not spend the loan amount on agricultural productive activities; rather some spend on alternative ways. In the field survey, it was found that 20 percent sample farmers spent the loan amount on purchasing of durable domestic assets, 40 percent borrowers spent the borrowed fund on family consumption expenditure, 20 percent spent on business purposes, 13.33 percent spent on social ceremonies and religious purposes and 6.67 percent on treatment of diseases. The table 9.25 shows the alternative way of spending the agricultural credit.

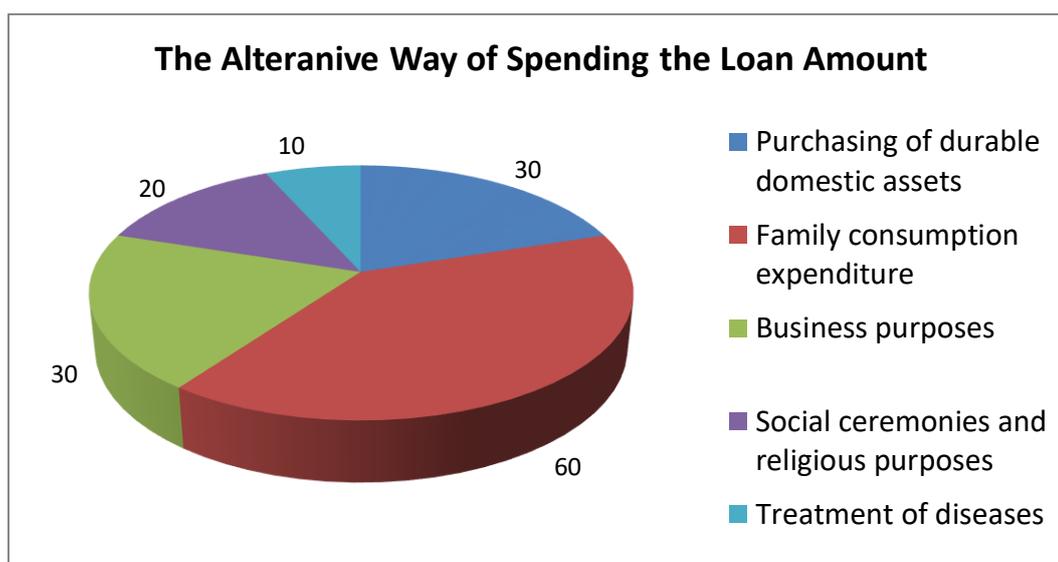
**Table- 9.25: The Alternative Way of Spending the Agricultural Credit**

The Alternative Way of Spending the Loan Amount	No. of Farmers	Percent
Purchasing of Durable Domestic Assets	30	20.00
Family Consumption Expenditure	60	40.00
Business Purposes	30	20.00
Social Ceremonies and Religious Purposes	20	13.33
Treatment of Diseases	10	6.67
Total	150	100

Source: Field Survey, 2018

The table 9.25 shows that out of 270 sample farmers, 150 farmers did not spend the loan amount in agricultural activities. Among 150 farmers, 30 farmers spent on purchasing durable domestic assets, 60 farmers spent on family consumption expenditure, again 30 farmers spent their loan amount on other business purposes, 20 farmers spent on social ceremonies and religious purposes and 10 farmers spent on treatment of diseases.

**Figure-9.12: The Alternative Way of Spending the Agricultural Credit**



### 9.27: Causes of Overdues of Agricultural Credit

Payback of loan instalment is a necessary condition for recycling of agricultural credit. The overdue of loan is the serious problem of agricultural credit. There are many reasons for which poor farmers are not able to repay the loan installment. During the period of field investigation, it was found that 3.25 percent farmers were not able to return the loan due to their lower income level, 1.30 percent were unwilling to repay the loan amount, 12.99 percent were unable to return the loan installment because they spent the loan amount on social ceremonies and religious purposes, 38.96 percent could not return the loan due to high family consumption expenditure and 43.50 percent were found defaulter due to lower level of productivities. The various causes of overdues of loan installment are shown in the table 9.26.

**Table- 9.26: Causes of Overdues of Agricultural Credit**

Causes of Overdues of Agricultural Credit	No. of Farmers	Percent
Lower Level of Income	05	3.25
Unwillingness to Repay	02	1.30
Social Ceremonies and Religious Purposes	20	12.99
Higher Level of Family Consumption Expenditure	60	38.96
Lower Level of Productivities	67	43.50
Total	154	100

Source: Field Survey, 2018

The table 9.26 reveals that out of 270 sample farmers, 154 farmers were found defaulter of loan installment due to their lower income, 2 farmers were found that they were unwilling to repay the loan installment, again 20 farmers were unable to return the loan amount because they spent the credit money on social ceremonies and religious purposes, another 60 farmers could not pay back the loan installment due to higher level of family expenditure and 67 sample farmers were unable to repay the loan installment due to lower level of productivities. Natural calamities are the main factor responsible for lower level of productivities. Hence, it is clear from the study that lower level of productivities is one of the main causes of overdue of agricultural credit.

Based on respondents' opinion a set of variables have been detected which influence overdue of loan amount. These include Lower Level of Income, unwillingness to repay, and diversion of money for social ceremonies and religious purposes, family consumption expenditure and lower level of productivities. Simple linear regression analysis was run to determine the significant variables determining overdue.

The result may be presented as under in the table 9.26(a), 9.26(b), 9.26 (c), 9.26(d), 9.26(e)

**Table-9. 26(a): Variables Entered/Removed<sup>b</sup>**

Model	Variables Entered	Description of variable	Variables Removed	Method
1	Unwilling lowincm, SRexp, conexp, lowpdvtya	Unwillingness to Repay, Lower level of income, Social Ceremonies and religious expenditure, Consumption expenditure, Lower level of productivities	NIL	Enter

a. All requested variables entered.

b. Dependent Variable: overdue

**Table-9.26(b): Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F value
1	.699 <sup>a</sup>	.503	.492	12698.10604	28.340 (0.00)*

a. Predictors: (Constant), unwilling, lowincm, SRexp, conexp, lowpdvty

b. Dependent Variable: overdue

The model estimate R Square and Adjusted R Square values at .503 and 0.492. The significant F value shows the overall goodness of fit of the model. The variables satisfy the expected influence upon the dependent variable. However the estimated

coefficient and their level of significance show that only the 'lower productivity' variable has significant influence (0.05 level) on overdue.

**Table-9.26(c) :Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	34000.000	12698.106		2.678	.008
SRexp	1250.000	13011.687	.024	.096	.924
conexp	1100.000	12803.486	.031	.086	.932
lowpdvty	25179.104	12792.517	.717	1.968	.050
lowincm	-3800.000	13910.078	-.039	-.273	.785
unwilling	-9000.000	17957.834	-.042	-.501	.617

a. Dependent Variable: overdue

The study also envisages the association between two attributes i.e. overdue and low productivity. The test statistics (Chi Sq) shows strong relationship between the two variables. The estimated Pearson chisq is 67.124 which is significant at 0.01 level. Thus the result supports the research hypothesis that the low productivity is one of the main reasons for overdues of credit.

Count		lo_pdvty_170		Total
		0	1	
Over due	no	116	0	116
	yes	87	67	154
Total		203	67	270

**Table-9.26(e) : Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	67.124 <sup>a</sup>	1	.000		
Likelihood Ratio	91.673	1	.000		
N of Valid Cases <sup>b</sup>	270				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 28.79.

b. Computed only for a 2x2 table

### 9.28: Provision of Subsidy of Agricultural Credit

Provision of subsidy is an important requirement of agricultural credit. Poor farmers are not interested to take loan without subsidy. Government provides limited provision of subsidy for a particular time. The following table no 9.27 shows the provision of subsidy of agricultural credit.

**Table - 9.27: Provision of Subsidy of Agricultural Credit**

Number and Percentage of Farmers	Available Provision of Subsidy		Total
	Yes	No	
No. of Farmers	10	260	270
Percentage	3.70	96.30	100

Source: Field Survey, 2018

The table 9.27 shows that out of 270 sample farmers, only 10 farmers were found that they were getting the provision of subsidy of agricultural credit and another 260 sample farmers had taken loan without subsidy. From the study, it was clear that 96.30 percent farmers are deprived of getting subsidy of agricultural credit and only 3.70 percent farmers were getting the provision of subsidy of agricultural credit. Thus, limited provision of subsidy is one of the problems of agricultural credit.

### **9.29: Requirement of Heavy Security for Agricultural Credit**

Requirement of security for getting a loan is a big problem faced by poor farmers. The Banking institutes do not agree to provide loan without security. Security is the primary and basic requirement for taking loan. Marginal and small farmers are unable to submit any property as a security for which they are deprived of getting loan from financial institutions. In the field investigation, it was found that 100 percent sample farmers needed security for getting loan. The following table 9.28 shows the requirement of security for sanctioning a loan.

**Table- 9.28: Requirement of Security for Agricultural Credit**

Number and Percentage of Farmers	Requirement of Security		Total
	Yes	No	
No. of Farmers	270	Nil	270
Percentage	100	Nil	100

Source: Field Survey, 2018

The table 9.28 shows that all 270 respondents farmers had submitted security for getting loan. Not a single one could take loan without security. Hence, heavy security is one of the hurdles of flowing of agricultural credit.

### **9.30: Poor Recovery of Agricultural Credit**

Financial institutes face a big problem of poor recovery of loan installment for which financial institutes are not able to recycling of fund and unable to provide new credit

to farmers for agricultural activities. The following table 9.29 shows the various causes of poor recovery of loan amount.

**Table - 9.29: Poor Recovery of Agricultural Credit**

Causes of Poor Recovery of Agricultural Credit	No. of Branches of Banks							Total Bank Branches	Percentage
	AGVB	S.B.I	Union Bank	Co-op Apex Bank	Canara	Uco Bank	Axis Bank		
Lower Income of Borrower	02	-		01	-	-	-	03	10.00
Unproductive Utilisation of Credit	03	02	01	01	02	01	01	11	36.67
Misutilisation of Credit	01	01		-	01	01	-	04	13.33
Unable to maintain the Assets	-	-		-		-	-	-	-
Willfully Default	04	02	01	01	01	02	01	12	40.00
Total	10	05	02	03	04	04	02	30	100

Source: Field Survey, 2018

The table 9.29 shows that out of 30 branches of different banks, 03 branches' officials expressed their opinions that they could not collect the lending money due to lower income of borrowers, 11 branches opined that borrowers could not return loan installment due to unproductive utilization of credit money, another 04 branches argued that they were unable to collect the lending money due to misutilisation credit money and 12 branches' officials opined that borrowers willfully defaulted their loan amount. From the study, it was clear that 40 percent bank branches could not collect the lending money due to willfully defaulter and 36.67 percent bank branches were unable to get the lending money due to unproductive utilisation of credit money by the borrowers.

### **9.31: Problems faced by the Banks in Advancing Agricultural Credit**

Financial Institutes face a number of problems at the time of providing loan. The table 9.30 shows the problems of proving loan to farmers which are bearing by the banking institutes.

**Table- 9.30: Problems faced by the Banks in Advancing Agricultural Credit**

Problems Related in Advancing loan	No. of Branches of Banks							Total Bank	Percentage
	AGVB	S.B.I	Union Bank	Co-op Apex Bank	Canara	Uco Bank	Axis Bank		
Non Performing Assets(NPA)	03	02	01	01	02	01	01	11	36.67
Unproductive Utilisation of Credit	01	-	-	-	01	01	-	03	10.00
Poor Recovery	02	01	-	-	-	01	-	04	13.33
Lack Banking Knowledge	02	01	-	01	01	-	-	05	16.67
Willfully Default	02	01	01	01	-	01	01	07	23.33
Total	10	05	02	03	04	04	02	30	100

Source: Field Survey, 2018

The table 9.30 reveals that out of 30 different bank branches, 11 bank branches are getting problems in providing loan due to non performing assets, 03 branches opine that unproductive utilization is the problem of advancing loan, 04 branches expressed their views that poor recovery is the problem of providing loan to farmers, 05 branches found problems in advancing loan due to lack of banking knowledge of people and 07 branches view that willfully default is the big problem in providing credit. From the study, it is clear that NPA is the biggest problem of banks in advancing loan.

### **9.32: Inadequate Supply of Agricultural Credit**

The financial institutes provide inadequate amount of credit as per demand of modern agricultural sector. Farmers need adequate supply of fund to maintain their increasing cost condition in agricultural sector. The table 9.31 shows the inadequate supply of agricultural credit by banks.

Table- 9.31: Inadequate Supply of Agricultural Credit.

Causes of Inadequate Supply of Credit	No. of Branches of Banks							Total Bank Branches	Percentage
	AGVB	S.B.I	Union Bank	Co-op Apex Bank	Canara	Uco Bank	Axis Bank		
Lack of infrastructure Facilities	02	-	01	-	01	01	01	06	30.00
Lack of loan scheme	-	-	-	-	01	--	01	02	10.00
Lack of interest of farmers	02	02	-	01	01	-	-	06	30.00
Lack of Fund	01	-	-	-	-	-	-	01	5.00
Poor recovery	02	01	-	01	-	01	-	05	25.00
Total	07	03	01	02	03	02	02	20	100

Source: Field Survey, 2018

The table 9.31 shows that out of 30 sample banking branches, 10 branches could provide required amount of credit and 20 branches were not able to provide sufficient supply of credit, out of 20 branches, 06 branches opined that they could not supply adequate quantity due to lack of infrastructure facilities, 02 branches viewed that lack of loan scheme was the main cause of insufficient credit fund, 06 branches expressed their opinions that they provide inadequate fund because farmers were not interested to take loan. They thought that loan is an extra burden on them, 01 branch opined that the bank could not provide required amount due to lack of fund and 05 branches opined that they were not ready to provide adequate supply of credit due to poor recovery of loan amount which were already disbursed.

### **9.33: A Comparative Analysis of the status of Performance of different Banks in Assam**

Assam Gramin Vikash Bank (AGVB) is a Regional Rural Bank of Assam covering highest area and it was established by the amalgamation of four regional rural banks of Assam, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank,

Lakhimi Gaonlia Bank, Subansiri Gaonlia Bank. The AGV bank has been operating its services in 31 districts with 410 nos of branches. Total deposit amount of AGV bank was Rs. 7,38,19,526 as on 31-03-2016 and total disbursement amount of loan was Rs. 68,48,868 thousand in 2015-16 as per 11<sup>th</sup> annual report , Assam Gramin Vikash Bank 2015-16. There are 344 branches of State Bank of India (SBI) and its associates, 2 branches of foreign banks and 265 branches of private sector banks. Total deposits of SBI is the amount of Rs. 39,693 crore and total credit amount is of Rs. 14,754 crore. (Economic Survey Assam, 2016-17). Total disbursement of loan provided by NABARD through commercial banks is the amount of Rs. 2,740.01 lakh and through regional rural banks (RRB) is the amount of Rs. 16,236.24 lakh in 2015-16 (Statistical Hand Book, Assam, 2016)

In Barpeta district, there are 19 bank branches of Assam Gramin Vikash Bank, 14 bank branches of State Bank of India (SBI) and 3 bank branches of Apex Cooperative bank. Thus, the AGV bank is the highest branch network coverage regional rural bank (RRB) in Barpeta district. During the time of field investigation, it has been found that out of 270 sample farmers , 106 (39.26 percent) sample farmers have taken loan from AGV bank ,46 (17.03 percent ) farmers took credit from SBI, 42 (15.55 percent) from Union Bank, 16(5.93 percent ) from UCO bank, 18 (6.67 percent) from Canara bank, 18 ( 6.67 percent ) from Apex Cooperative Bank, 4 (1.48 percent) from Cooperative Societies, 14 (5.19 percent ) from Bandhan Bank and 6 ( 2.22 percent) farmers took loan from H.D.F.C. bank. Hence, it is clear that Assam Gramin Vikash Bank is playing a vital role in the development of agricultural sector by providing agricultural credit to the rural poor in Assam. As the AGV bank has covered the maximum area of rural area and supplied loan to all backward rural sector besides agriculture and its allied sectors, so, the AGB bank has a special importance in the upliftment of rural economy of Assam. The present study has given a special importance on the AGV bank through the title of the present research work.

Agriculture is the principal source of income of the rural poor. The agricultural sector is very poor and is neglected in Assam. Poor farmers are doing agricultural activities in traditional method. They are not able to use modern techniques due to insufficient fund. The financial institutions provide inadequate supply of fund for which they borrow money from village money lender at a very high rate of interest. This agriculturist class is generally exploitative class. From the

field survey, it has been clear that Farmers are not interested to take loan from bank because agricultural credit sanctioning procedure is complex and so many problems are associated with it. The financial institutions are also facing a number of problems after disbursement of credit such as poor recovery, overdues and misutilisation of credit etc. Hence, agricultural institutional credit should be available and credit procedure should be simple that illiterate farmers can take loan easily. The banking institutions should monitor the activities of farmers about the proper utilization of credit amount at an internal time period. The development of agricultural sector is the first step of development of an economy.

## CHAPTER X

### Findings and Recommendations

#### 10.1: Introduction

The last chapter of the present research work brings to highlight the summary of some major findings and suggestions. The important finding of the present research work is presented in this concluding chapter and some necessary suggestions relating to agricultural credit in Assam have also been given in the last chapter.

#### 10.2: Some Major Findings

The major findings of the study are summarised as follows:

10. 2.1. Agricultural sector is still considered as the key sector of Indian economy from the view point of the development of industrial sector as well as enhancing international trade. As per record of Central Statistical Organisation (CSO), the agricultural sector occupied 55 percent share of the GDP in 1950-51 and 13.4 percent in 2013-14.

10.2.2. Agricultural sector in India is very backward and neglected. There are innumerable problems, still, exist in this rural sector. Among all the problems, lack of fund is considered as the main problem of agricultural sector. Hence, agricultural credit is recognised as the prime requirement for the development of agricultural sector.

10.2.3. The economy of Assam is a rural based economy. In Assam, 85.09 percent population of the total population live in rural areas and 70 percent of the total population are directly earning their livelihood from agricultural sector. Out of total labourforce in Assam, 57.4 percent workforces are engaged in agricultural sector and 28.7 percent share to State Domestic Product come from agricultural sector (As per 2001 census).

10.2.4. Agriculturists constitute the major section of the rural people. They are numerically very large but their economic conditions are very deplorable and they belong to the weaker section of the rural economy. The level of income, the standard of living and the amount of earning are abnormally low.

10.2.5. Finance is an important requirement for purchasing various important inputs for the development of agricultural sector. In Assam, farmers are very poor and they are not able to invest sufficient fund in productive activities. In this case, agricultural credit takes a crucial role in the development of agricultural credit and its allied activities.

10.2.6. Financial institutions are the vital pillars for the development of agricultural sector by providing sufficient fund to poor farmers. It also plays another active role in reducing unethical activities of village money lenders.

10.2.7. Commercial Banks are taking an important part in the improvement of agricultural sector by providing loans to poor farmers at a reasonable rate of interest. For providing sufficient services to the rural poor, commercial bank has been expanding its banking network by opening new branches in remote areas. The total number of bank branches of commercial banks has been increasing to 2177 as on March, 2016 as against 1262 as on March, 2007 and 74 only in 1969 (Economic Survey, Assam, 2016-17).

10.2.8. The Regional Rural Banks (RRBs) has mobilised the amount of deposits and credits. The total amounts of deposits of RRBs was Rs. 7882.96 crore as on March, 2015 and Rs 7950.43 crore as on March, 2016. The total disbursement of credit was Rs 4581.04 crore as against Rs 4161.72 crore as on March, 2015 (Economic Survey, Assam, 2016-17).

10.2.9. The co-operative movement was started in 1904 through the introduction of co-operative credit societies with a great objective of granting loan to the rural poor, particularly, to small and marginal farmers. The functioning of co-operative societies was initiated in Assam with the introduction of national economic policy in 1951 by extending of an additional amount of Rs. 20 lakhs. Another additional amount of Rs. 66.48 lakhs was also received from the Reserve Bank of India (Economic Survey, Assam, 2016-17).

10.2.10. The National Bank for Agriculture and Rural Development (NABARD) is considered as an apex financial institution dealing with new development policy formulation in the field of rural credit and other operational aspects of rural credit for the development of rural economy in India.

10.2.11 At present, micro finance is an important scheme to provide small funding loans to the rural people. The SHGs Bank Linkage Programme is an important micro finance scheme to supply small funding credit to the small entrepreneurs (including farmers) in the most easy credit delivery system.

10.2.12 Kishan Credit Card (KCC) is a loan providing scheme, implemented through all the commercial banks, RRBs, co-operative bank. The KCC scheme was initiated in 1998-99 with a view of covering all the regions of the country. The total amount of 50067 number of cards in 2006-07 and 217460 number of cards in 2015-16 were issued to farmers and the total amount of loan of Rs 691273.68 lakhs had been granted and delivered by the KCC holder agriculturists since the introduction of the scheme. (Economic Survey, Assam, 2016-17).

10.2.13. The banking institutions are still unable to touch some remote areas where there is no any financial institution. Again, illiterate farmers are getting troubles to maintain strict rules and regulations of credit delivery system. Hence, as an alternative way, poor farmers have taken loans from non-institutional sources at a very high rate of interest and village money lenders are still playing a crucial role in loan providing activities to the rural poor in some backward areas of Assam.

10.2.14. The unorganised village money lenders are able to provide only inadequate supply of fund to farmers for short period at a very high rate of interest. This type of credit is unethical, exploitative and expensive. Sometimes, it may have ill impact on the socio-economic condition of farmers. The financial institutions can only fulfil this credit requirement of farmers.

10.2.15. The Regional Rural Banks (RRBs) was introduced by the Govt. of India just after passing the Regional Rural Banks Act, 1976 and it was started with the contribution of 50 percent share of central Government, 35 percent share by commercial banks and 15 percent share contributed by the state Government with taking a goal to fulfil the credit requirement in the rural economy.

10.2.16. The Assam Gramin Vikash Bank (AGVB) was launched on 12<sup>th</sup> January, 2006, by amalgamating the four Regional Rural Banks of Assam, namely, Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Iakhimi Gaonlia Bank and Subansiri Gaonlia Bank. The AGV bank is the largest regional rural bank of Assam and it has been enlarging its banking network through increasing the bank branches in 31 district out of 33 district of Assam ( 11<sup>th</sup> Annual Report, 2015-16, Assam Gramin Vikash Bank). The AGV Bank has been providing its banking services for the improvement of the rural economy since the time of opening the bank in 2006. The AGV Bank is granting loans to the rural sector, specially, small and marginal farmers, village artisans, agricultural labourers. SHGs etc.

10.2.17 The position of Assam Gramin Vikash Bank in Assam in respect of expansion of banking network through extending bank branches, amount of deposits and credits was satisfactory. The total number of branches of the AGV bank was 410 in 2015-16 and out of 410, 309 branches were situated in rural areas, 18 branches in urban areas and 83 branches in semi-urban areas (11<sup>th</sup> Annual Report, 2015-16, Assam Gramin Vikash Bank).

As per the 2<sup>nd</sup> annual report, 2006-07, Assam Gramin Vikash Bank, the total amount of bank deposits of AGV. Bank was Rs. 19647272 thousands as on 31-03-2007 and it was Rs.17107462 thousands as on 31-03-2006. As per 10<sup>th</sup> annual report, AGVB, 2014-15, the total deposits amount was Rs. 74188674 thousands as on 31-03-2015 and it was Rs. 73819526 thousands as on 31-03-2016 ( 11<sup>th</sup> annual report, AGVB, 2015-16).

The total disbursement of loans of AGV. Bank was Rs. 2883163 thousands during 2005-06 and it was Rs. 3804857 thousands to agriculture and its allied activities including KCC loan in 2013-14, Rs. 4337143 thousand in 2014-15 and Rs. 2634538 thousands in 2015-16(11th annual report, AGVB, 2015-16).

10.2.18. The study reveals that agricultural credit is considered as one of the most powerful inputs for performing all developmental activities in agriculture and its allied activities. In Assam, farmers are generally poor and always face a big problem of scarcity of fund to invest in agricultural sector. Hence, credit requirement to farmers is considered as most urgent as the farmers can invest for the development of

agricultural sector and to purchase HYV seeds, fertilizers, fodder, and agricultural implement and land development activities.

10.2.19. The study finds out that low level of income is one of the serious problems associated with the farmers. Lower income means lower saving capacity, lower investment and low level of productivity and as a result, farmers are in a debt trap. Thus, it is clear that available institutional credit at cheaper rate and at proper time is an important requisite for the development of agricultural sector and for raising the income level of farmers.

10.2.20. The system of production in agricultural sector has been changing from traditional to modern production technique, from labour intensive to capital intensive techniques of production. In this changing environment, the producers have to invest huge amount of money and this investment is only possible for a poor farmer by taking loan from financial institutions.

10.2. 21. It has been found that one of the main sources of agricultural credit is Multi Agency Approach. The Multi Agency Approach means a group of financial institutions such as co-operative banks, commercial banks regional rural banks. This Multi Agency Approach has been providing available loans to agricultural sector at cheaper rate and at proper time since independence.

10.2.22. During the study, it has been found that proper organised market structure is an important infrastructure for the socio-economic development of farmers. In Assam, market structure is very weak and organised markets are located at far distance from village areas. There are not available storage or cold storage facilities to keep surplus produces. Poor transport facilities are another problem to bring the surplus produces from village to market. As a result, farmers are not able to sell their excess amount of produces at a fair and reasonable price. Farmers are bound to sell their output to the middle man or at home market at low price. The middle man takes away a part of profit from farmers. Hence, existence of intermediaries or middle man is another serious drawback of agricultural sector.

10.2.23. The study finds out that some problems are associated with the Multi Agency Approach at the time of providing loans to farmers. One of the problems is that the co-operative bank has reduced the share of disbursement of loans to agricultural

sector over the years. Lack of co-operation among the different credit agencies regarding implementation of rules and regulation of agricultural credit is the another problem of multi agency approach. Different loan providing agencies sanction loan for the same person and for the same security. As a result, debtor cannot recover the loan amount in time and there is excessive burden of overdues on the financial institutions.

10.2.24. In Assam, majority of farmers are poor and they are living in the midst of extreme poverty in village areas. Agricultural credit is the most essential requirement for performing productive activities. Farmers take loan from different sources and majority of them spend the borrowed money for unproductive purposes such as performing social ceremonies, payment of old debt, purchasing durable assets etc. As a result, farmers are unable to repay the loan amount and the burden of debt increases year after year and generation to generation and ultimately, they are in a debt trap. Hence, indebtedness of farmers is a serious issue in agricultural sector of Assam.

10.2.25. We have found that it is an important requirement of borrower to submit heavy security for getting loan from banks. In Assam, maximum numbers of farmers are very poor and live under poverty stricken. They do not have available property to deposit in banks as a security of loan except their tiny plot of land. Hence, small and marginal farmers are deprived of getting loan from financial institutions. Sometimes, poor farmers are bound to sell their tiny plot of land and finally become landless agricultural labourers.

10.2.26. The borrowers need to submit various documents to banks in order to get the loan. The poor farmers need to collect land holding certificate from land revenue office and they are able to collect these documents against payment to officials. Sometimes, illiterate farmers have done all formalities of loan with the helping hand of brokers or commission agent. As a result, a part of loan amount goes to the hand of brokers or commission agent and diminishes the amount of investment in agricultural sector.

10.2.27 we see that the volume of loan sanctioned to poor farmers is inadequate for performing all productive activities in agricultural sector. Sometimes, the borrowers invest this inadequate amount of loan for unproductive activities and they are bound

to borrow from village money lenders at an exorbitant rate of interest. Eventually, farmers are unable to become free from the grip of village money lenders.

10.2.28 Insufficient bank branches is one of the problems of agricultural credit. In Assam, commercial bank and RRBs have expanded banking network and opened new branches almost in all places but, still, there are some remote areas in hilly places and char areas without any bank branches. The cultivators borrow money from unorganised sector at a very high rate of interest.

10.2.29. The financial institutions follow some formalities with strict rules and regulations at the time of granting loan to farmers. The illiterate farmers don't like to follow this complex procedure and take loan from village money lenders at very high rate of interest in easy process and the poor farmers are in a heavy debt burden.

10.2.30. Lack of subsidy is another problem of agricultural credit. Government of India declared subsidy scheme on agricultural credit for a limited amount and limited time period. The agriculturists don't agree to take loan without subsidy. For that reason, some schemes of agricultural credit without subsidy have failed totally to satisfy the poor farmers.

10.2.31. We see that delay in submission of necessary documents by the borrower is also a problem of agricultural credit. The poor and illiterate farmers are getting problem in the collection of necessary documents from different sources and take time in the submission of documents to the financial institutions. The banking institutions cannot release loan to farmers at the peak time due to late submission of documents. Eventually, farmers borrow from village money lenders to perform agricultural activities in the peak season.

10.2.32. The study reveals that the institutional credit delivery system maintains a complicated procedure and takes a long period of time. Sometimes, farmers do not get loan in time due to complex procedure. Farmers utilise untimely received loan on unproductive purposes. Sufficient fund is essential to farmers for performing agricultural activities in peak season. Hence, farmers borrow money from non institutional sources to perform agricultural activities in time.

10.2.33. The study shows that heavy political pressure on bank official is one of the problems of agricultural credit. Sometime, politicians point out the bank manager to provide loan to a particular person without following any norms of rural credit.

10.2.34. During the study, it has been found that an overdue of loan instalment is one of the serious problems of agricultural credit. When the loan amount is properly utilised and repaid on due date, then, the credit system is considered as successful and it is possible to recycling the fund to farmers again. On the other hand, when a borrower does not return his loan instalment on due date and this pending loan is known as overdue. This overdue problem may paralyse the rural credit structure.

10.2.35. Natural calamities such as flood, drought, earthquake etc. are the main causes of damage of crop production and reduction of crop production. For that reason, income level of farmers has reduced to the level that fails to repay the loan installment in due time and ultimately, burden of overdues increases year after year.

10.2.36. It has been found that inadequate bank staff is another problem of agricultural credit. The banking institutions cannot provide proper service to customers due to insufficient bank staff and unable to implement some important schemes for the improvement of agricultural sector. The poor farmers are bound to take loans from village money lenders for performing all agricultural activities.

### **10.3: Some Major Findings**

Agricultural sector plays a crucial role in the development of Assam economy. In Assam, 85.09 percent people live in rural areas and 70 percent are directly depend on agricultural sector for their livelihood. Agricultural sector contributes 28.7 percent share to the State Domestic Product (SDP) (census, 2001). So, Top priority must be given to the development of the agricultural sector. Agricultural credit is one of the prime requirements for the development of the agricultural sector. To study the structure and position of agricultural credit, a sample survey was completed by taking 270 sample household from 9 villages of Barpeta district as a case study area. The major findings of the sample survey, particularly, concerning to the agricultural credit have been summarised below:

10.3.1. The Barpeta district is a district of agrarian structure. The total geographical area of the Barpeta district of an area of 2282 Sq.Km. Total population of the district was 1693622 out of which 1546269 populations live in rural areas. There are 11 community development block, 2 sub-division and 129 Gaon panchayat in Barpeta district. (As per census, 2011).

10.3.2. There are mainly three clusters rural inhabitants in the sample district Barpeta. These three clusters populations are category-I comprising of Brahmin, Kalita, Keot, Koch, Hira, Kaibarta etc, category-II includes Bodo community and category-III includes Immigrant Muslims.

10.3.3. Size of household is an important factor affecting on socio-economic condition of farmers. So far as the family members of the sample farmers, It has been found that 42.22 percent of category-I farmers families are having less than 5 family members, 53.33 percent having in between 5-10 family members and 4 percent having in between 10-15 family members and above 15 family members is nil in the category-I group.

In case of category-II or Tribal, 33.33 percent farmer's families are having less than 5 family members, 60 percent having in 5-10 family members, 6.67 percent having in between 10-15 and above 15 members family is nil in the tribal group.

In the category-III or immigrant Muslim group, 35.56 percent farmers' families are having less than 5 family members, 53.33 percent farmers have the family members in between 5-10, and 6.67 percent having in between 10-15 family members and 4.44 percent farmers are having above 15 family members. The study reveals that among the three cluster populations, category-III (immigrants Muslims) farmers are having the highest number of family members.

10.3.4. Regarding dependency ratio, it has been observed that 17.78 percent category-I farmers have the dependent person in between 0-3, 73.33 percent have the dependent person in between 3-6, 6.67 percent have the dependent person in between 6-9 and only 2.22 percent have 9 and above dependent person.

In the category-II (tribal) group, 6.67 percent farmers have the dependent person in between 0-3, 84.44 percent have in between 3-6, 8.89 percent have in between 6-9 and the dependent persons of farmers having 9 and above is nil in this group.

In the category-III (immigrant Muslims) group, 6.67 percent farmers have the dependent person in between 0-3, 62.22 percent have in between 3-6 dependent person, 22.22 percent have the dependent persons in between 6-9 and 8.89 percent farmers have the dependent persons 9 and above. From the study, it has been cleared from weighted mean that among the three groups, the category-II farmers have the highest dependency ratio.

10.3.5. We find that among the three cluster populations, category-I farmers are having more educational qualifications. In the indigenous group, 8.89 percent farmers are illiterate, 37.77 percent are below HSLC, 20 percent are HSLC passed, 15.56 percent are H.S. passed, 6.67 percent are Under Graduate, 8.89 percent are Graduates and 2.27 percent are Post-Graduates.

In the category-II Group, 26.67 percent farmers are illiterate, 33.34 percent are below HSLC, 17.78 percent are HSLC passed, 13.33 percent are H.S. passed, 4.44 percent are Under Graduate, 4.44 percent are Graduates and Post-Graduates farmers are nil in this group.

In the category-III Group, 40 percent farmers are illiterate, 33.34 percent are below HSLC, 11.11 percent are HSLC passed, 11.11 percent are H.S. passed, 2.22 percent are Under Graduate, 2.22 percent are Graduates and Post-Graduates farmers are nil in this group. From the study, it is clear that category-I farmers are more literate and category-III farmers are more illiterate.

10.3.6. One of the notable findings of the study is that Assam Gramin Vikash Bank has provided the highest volume of agricultural credit to the affective sector. In the study area, out of 270 sample farmers, 46 farmers have taken loan from State Bank of India, 42 farmers from Union Bank, 16 farmers from UCO Bank, 18 farmers from Canara Bank, 106 farmers from Assam Gramin Vikash Bank, 18 farmers from Apex Co-operative Bank, 04 farmers from co-operative society, 14 farmers from Bandhan Bank and 6 farmers have taken agricultural credit from H.D.F.C. Bank. Thus, it is clear that Assam Gramin Vikash Bank is the highest loan provider bank to rural sector; SBI is the second loan provider bank to agricultural sector.

10.3.7. One important finding is that male contributes more workforce in agricultural sector than female. In the field study, it is found that 91.85 percent male are engaged in agricultural activities and only 8.15 percent female are in agricultural activities.

10.3.8. The study reveals that in spite of spreading banking network in the rural areas, some farmers are taking loans from non institutional sources. In the field survey, it has been found that out of 270 sample farmers, 106 farmers have again taken loans from non institutional sources. Out of 106 sample farmers, 90 farmers have taken loans from village money lenders, 2 farmers took loans from mahajan or land owner, 8 farmers from friend and 6 farmers have taken loans from relatives. From the study, it is clear that village money lenders have been playing a dominant role in some remote areas of Assam.

10.3.9. During the study, it has been found that financial institutions are the basic infrastructure required for the socio-economic development of an economy. In the study area, 11.11 percent sample farmers are getting banking facilities within the range of 0-2 Kms, 11.11 percent having banking facilities in the range of 2-4 Kms, 22.22 percent having banking facilities in the distance of 4-6 Kms and 55.56 percent farmers have reached the banks in the range of 6 Kms and above 6Kms. Thus, it is found that bank branches are not available in the rural Assam.

10.3.10. In the study area, 11.11 percent farmers are getting marketing facilities in the distance of 0-2 Kms, 11.11 percent in the range of 2-4 Kms, 22.22 percent in the distance of 4-6 Kms, 22.22 percent need to go to market in the distance of 6-8 Kms, 11.11 percent farmers in the distance of 8-10 Kms. and 22.22 percent farmers are getting marketing facilities in the range of 10Kms and above.

10.3.11. Farmers are classified on the basis of size of landholding. As per agricultural census conducted in 2011 in India, a farmer having the landholding size is less than 1 hectare known as marginal farmers, landholding size is between 1 to 2 hectares known as small farmers, landholding capacity of semi-medium farmers is between 2 to 4 hectares, the landholding size is 4 to 10 hectares known as medium farmers and the landholding size is above 10 hectares known as big farmers. In the field of investigation, it has been found that 51.11 percent farmers are marginal farmers, 28.89 percent farmers are small farmers, 11.11 percent are semi-medium farmers, 6.67

percent are medium farmers and 2.22 percent are big farmers. It is found that majority of farmers are marginal farmers.

10.3.12. One of the important findings of the study is that farmers are not getting loan in peak season. There is delay in advancing loan by the banks to the farmers for the complex procedure of institutional credit. From the study, it has been found that 60.74 percent farmers are not able to receive loan in time and 39.26 percent are getting loan in time. From a chi-square test, it is confirmed that there is delay in sanctioning agricultural credit.

10.3.13. Delay in sanctioning loan is one of the main barriers of agricultural sector. In the field study, it has been found that 14.63 percent farmers have opined that there is delay in providing loan due to shortage of bank staff, 60.98 percent farmers viewed that queries is the main cause of delay in granting loan and 24.39 percent farmers have opined that ill attitudes of bank official is the cause of delay in sanctioning loan. No one viewed lack of fund of banks is a cause of delay in granting loan. Thus, it is clear that queries of documents are the prime cause of delay in sanctioning loan by financial institutions.

10.3.14. It has been found that in the field survey, 93.33 percent sample farmers are not satisfied on the services of banks official and only, 6.67 percent farmers are getting satisfied service from banking institutions. Thus, unsatisfactory service of banking institutions is one of the main problems of agricultural credit.

10.3.15. One of the findings of the study is that the rates of interest of agricultural credit charged by the banking institutions are affordable and reasonable. In the field of investigation, it has been found that 64.81 percent farmers expressed their opinions regarding the rate of interest of institutional credit that the rate of interest of agricultural credit charged by the banks is unaffordable and unbearable.

10.3.16. It has been found that the role of paid middle man in sanctioning a loan has reduced in agricultural sector. Among the sample farmers, 77.78 percent farmers have taken loan without taking help from middle man and 22.22 percent farmers took loan through middle man or brokers. It shows somewhat influences of brokers still exist in the rural credit system.

10.3.17. Indebtedness of farmer families is a big problem of agricultural sector. From the study, it has been found that 55.56 percent families are indebtedness and 44.44 percent families are free from debt obligations. In the field survey various causes of indebted are found that 20 percent farmers are indebtedness due to their lower level of income, 40 percent are in a debt burden because failures of crop production activities and ultimately poverty condition of farmers, 16 percent farmers are indebted due to repayment of old debt, 14.67 percent farmers are indebted for performing social ceremonies and 1.33 percent are in a debt burden for doing development activities. Hence, it is found that poverty is one of the main causes of indebtedness of farmers.

10.3.18. Monitoring of rural credit by bank official is most essential for proper utilisation of loan amount. From the study, it has been found that 81.48 percent farmers have given opinions that bank officials were not visited to observe the utilization of loan amount and 18.52 percent sample farmers have opined that bank officials have visited to inspect the utilization of loan amount.

10.3.19. One of the important finding of the study is that procedures of taking loan from financial institutions are complicated. For that reason illiterate farmers are not interested to take loan from banking institutions. In the field study, it has been found that 62.96 percent sample farmers have expressed their opinions that borrowing procedures from banking institutions are complicated and 37.04 percent opined that borrowing procedure from banks is simple and easy. A chi-square test has been done and confirmed that borrowing procedures from banking institutions is complicated.

10.3.20. Unproductive utilisation of loan amount is one of the serious problems of agricultural credit. During field investigation, it has been found that 55.56 percent sample farmers have used their loan amount in unproductive activities and 44.44 percent farmers utilised the loan amount in proper way. From a chi-square test, it is confirmed that majority of farmers used their loan in unproductive purposes.

10. 3.21. Diversion of credit amount from agricultural activities to other activities is the problem of agricultural credit. In the field survey, it was found that 20 percent sample farmers spent the loan amount on purchasing of durable domestic assets, 40 percent borrowers spent the borrowed fund on family consumption expenditure, 20 percent spent on business purposes, 13.33 percent spent on social ceremonies and religious purposes and 6.67 percent on treatment of diseases.

10. 3.22. A notable finding of the study is that an overdue of loan amount is one of the serious problems of agricultural credit. During the period of field investigation, it has been found that 3.25 percent farmers are not able to return the loan due to their lower income level, 1.30 percent are unwilling to repay the loan amount, 12.99 percent are unable to return the loan installment because they spend the loan amount on social ceremonies and religious purposes, 38.96 percent could not return the loan due to high family consumption expenditure and 43.50 percent are found defaulter due to lower level of productivities. From regression equation and chi square test, it is confirmed that low productivity is the main cause of overdue problem.

10.3.23. We find that requirement of heavy security for taking agricultural credit from banking institutions is the big problems of poor farmers. During field survey, it has been observed that 100 percent sample farmers have submitted security for availing loan from banking institutions.

10.3. 24. In the field survey, it has been found from an 'ANOVA' TEST that there is a significant impact of agricultural credit on the monthly income of farmers. The percentage of farmers had reduced from 20 percent during pre-loan period to 8.87 percent during post-loan period. The percentage of farmers having monthly income in the range of 3001-4000 had increased a slight from 23.70 percent to 24.44 percent during post-loan period over pre-loan period. In the Range of monthly income 4001-5000 and 5001-6000, the percentage of agriculturists had increased from 33.33 percent to 35.19 percent and from 17.04 percent to 20.37 percent during post-loan period over pre-loan period respectively. In the monthly income level 6001-7000 and 7001 and above, the percentage of farmers had increased from 4.45 percent to 7.41 percent and 1.48 percent to 3.70 percent in the post-loan period.

10.3.25. It has been found that there is a little impact of agricultural credit on monthly consumption expenditure of lower income group, monthly consumption expenditure of higher income group remains same. The monthly expenditure on consumption of 20 percent farmers was up to Rs. 3 thousands in the pre-loan period and it was reduced to 18.52 percent of farmers during post-loan period. Monthly expenditure amount on consumption between the ranges of Rs. 3001 to Rs.4000 was 24.44 percent of farmers in the period of before loan which was reduced to 22.22 percent during post-loan period. The percentage of farmers having monthly expenditure on

consumption ranging between Rs. 4001-5000 had increased from 38.53 percent in the pre-loan period to 42.23 percent during post-loan period. The percentage of agriculturists occurring monthly expenditure on consumption purposes in the range of Rs.5001-6000, Rs. 6001-7000 and expenditure above 7 thousands was remained same, i.e. 12.59 percent, 2.96 percent and 1.48 percent respectively.

10.3.26. The study reveals that the condition of dwelling houses pinpoints the unsatisfactory living condition of farmers, In the field survey, it has been found that 67.41 percent sample farmers are living in kutcha houses, 17.78 percent farmers' houses are in semi-pucca and 14.81 percent farmers are living in pucca houses. Hence, there is not any significant impact of credit on dwelling houses of farmers.

10.3.27. The study reveals that during pre-loan and post-loan period, there is no changes any basic structure of sanitation facilities of Farmer families. In the field survey, it has been found that during pre-loan and post-loan period, 84.44 percent farmers' families use kutcha toilet, 14.82 percent farmers' families use pucca toilet and 0.74 percent farmers use open field. In this regard, government scheme have taken an important step in the construction of pucca toilet in free of cost in farmers' family. In case of drinking water also, there is no changes in the sources. It has been observed that during post-loan period, 17.77 percent farmers' families use Govt. supplied tube well or public health water supply, 76.30 percent families use tube-well as a source of drinking water, 5.93 percent families use well for their drinking water and there are not any users of open source such as pond, river as their drinking water in the study area.

10.3.28. We have found that there is a little impact of agricultural credit on the implementation of agricultural inputs during post-loan period. During post-loan period, it has been found that the farmers having own bullocks were increased to 8.15 percent, owners of tractor have increased 2.96 percent, owners of power tillers have remained constant, users of hired tractor or power tillers have reduced 11.11 percent, 7.41 percent farmers have increases their irrigation facilities, fertilizers users increased 18.52 percent, 3.7 percent sample farmers used more H.Y.V. seeds, 7.42 percent farmers used more pesticides or insecticides. Hence, there is no any significant impact on the implementation of agricultural inputs during post-loan period.

10.3.29. It is observed that majority of farmers do not have any knowledge about the official record of their land and the majority of them do not have any land registration record in their hand and as a result, they are unable to submit any required documents of their land in banks as a security of loan. Hence, the farmers are not able to take loan from banks due to lack of land registration record.

10.3.30. 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 any irrigation facility in maximum areas of BARPETA district. Hence, they need to depend on nature for water. Thus, agricultural products are not available and as a result, farmers cannot return the loan amount and enter in to vicious circle of indebtedness.

10.3. 31. A notable finding of the study is that default of loan installment is one of the big problems of agricultural credit. During the study, it has been found that 29.63 percent loanee farmers have returned their loan installment on regular basis, 13.33 percent loanee farmers have repaid irregularly and 57.04 percent loanee farmers have been found as defaulters.

#### **10.4: Some Findings of Sample Survey of Financial Institutions**

10.4.1. One important finding of the study is that poor recovery of loan instalments is one of the serious problem faced by the banking institutes. During the field study, it has been found that out of 30 branches of different banks, 03 branch officials have noted that the institutions are unable to collect the lending money due to lower income of borrowers, 11 have opined that loanee farmers are not able to return loan amount due to utilisation of credit money in unproductive activities, another 04 branches argued that defaulted of lending money due to misutilisation credit money and 12 branches' officials opined that loanee farmers have willfully defaulted their loan amount. From the study, it has been cleared that 40 percent bank branches are unable to collect the lending money due to willful defaulter and 36.67 percent bank branches are unable to recover the lending money due to unproductive utilisation of credit money by the borrowers.

10.4.2. During time of survey in the bank branches, it has been found that delay in the submission of necessary documents in the banks by the borrowers is considered one of the serious problem of financial institutions during the time of providing loan. As a result, bank branches are not able to provide loans in time to the farmers and poor farmers take loans from village money lenders at an exorbitant rate of interest..

10.4.3. The banking institutions are confronting a big problem of huge amount of non-performing assets (NPA) of sanctioned loans. During survey of bank branches, it has been found that majority of banking institutes have failed to recover the principal loan amount and the interest amount on due time and this NPA position reduced the loan expanding activities of banks.

10.4.4. At the time of survey of bank branches, it has been found that Shortage of bank staff as per coverage service area of a branch is another problem of banking institutes. The bank branches cannot provide sufficient service facilities to borrowers due to inadequate man power and there is unnecessary delay in advancing loan to farmers.

10.4.5. Poor knowledge and lack of banking habitations of borrowers is another problem faced by the banking institutes.. The illiterate farmers do not have the proper knowledge about the loan formalities and they do not know how to maintain and finance the loan account properly. Mis-utilisation of loan amount is also due to ignorance of the farmers. Eventually, loanee farmers are found as defaulted their loan amount.

10.4.6. 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 the loanee farmers are not interested to return the loan amount and waiting for government loan relief scheme announcement. Eventually, loan instalments are pending and tremendous overdue problem arises in agricultural credit.

## **10.5: Recommendations**

In order to improve the position of agricultural credit and to remove the problems which are associated with the agricultural credit in Assam and in the sample district Barpeta, some remedial measures recommended as follows:

10.5.1. Agricultural sector in India is very backward and a traditional sector. The traditional agricultural sector should be transformed into modern agricultural sector for more production by providing available modern inputs through Government budgetary provisions at concessional rate of price or free of cost.

10.5.2. Available credits should be supplied by the financial institutes at minimum rate of interest to the poor farmers as they can perform their agricultural activities.

10.5.3. There is still some remote areas without any bank branch. The banking authority needs to spread banking network and should open new branches in different corner of the country as per demand. In Assam, the Regional Rural Banks, particularly, the Assam Gramin Vikash Bank needs to take the main role in providing available credit facilities to the rural poor in backward areas.

10.5.4. To raise the income level and to improve the standard of living of poor farmers, the banking institutes should provide available credit facilities at minimum rate of interest to poor farmers and some additional employment avenues for additional income should be generated through cottage industries such as bamboo making, cane making, pottery, brass matel and bell matel industries etc and through agricultural allied activities such as fishery, dairy farm, poultry farm etc.

10.5.5. Government should formulate some new policies or rules against non-institutional sources of rural credit. These policies and rules are implemented to restraint completely the unethical and exploitative lending activities of village money lenders. Registration of non-institutional sources under government financing Act should be mandatory

10.5.6. The financial institutes should minimise the volume of security and should follow a simplified procedure in disbursing rural credit to the poor farmers, particularly, small and marginal farmers.

10.5.7. It is necessary to protect the farmers from incurring losses of production of crops due to natural calamities. The losses of crops production should be compensated through the insure of the crops by insurance companies and it reduces the volume of defaulted loan amount.

10.5.8. It has been found that majority of bank branches in rural areas are facing a serious problem of inadequate bank staff. Due to paucity of bank staff, the banking institutions fail to provide loan in time. Hence, to overcome this problem, new employees should be appointed and rural allowance should be declared to the bank officials serving in the rural areas.

10.5.9. Overdues of loan instalments is a serious problem of agricultural credit. Repayment of loan amount is most essential for recycling of fund again to farmers. To tackle the problem of overdues, some humble suggestions may be summarised as follows:

10.5.9(i) There is an urgent need to create and develop some agricultural allied activities as additional sources of income for the rural poor. This additional income will encourage the poor farmers to repay the loan amount and try to reduce their old burden of debt.

10.5.9 (ii) The bank personnel should keep a good relation and personal contact with the borrowers. This friendly relation may reduce the number of willful defaulters.

10.5.9 (iii) The financial institutions need to organise some awareness campaigns in the village areas which may increase the consciousness of borrowers and motivate them to repay their loan installment in time.

10.5.9 (iv) To reduce the overdue problem, the name of defaulters should be enlisted and a list of defaulters need to hang up in public places or publish a notification in newspaper, so that some borrowers may take it as their prestige issue and come forward to repay the loan amount.

10.5.9 (v) The banking institutions should engage an additional staff for the movement and to inspect in the field. The staff needs to meet the borrowers and collect the loan instalment in time. An incentive bonus may be announced to the field staff depending on their performance of collecting loan installment.

10.5.10. Indebtedness is a chronic problem of farmers. During off seasons of cultivation, farmers are generally sitting in idle without income. So, some work place should be created in village areas during off season through government scheme that the rural poor can earn their livelihood. Another remedy is that the lending activities

of village moneylenders should be stopped in the village area by regulating some new rules of Government.

10.5.11. Majority of farmers in Assam and in the district Barpeta are illiterate and are dwelling in rural areas so that they are not able to get information regarding the rural credit schemes. To tackle this problem, community information centre should be set up by the state government in rural areas and through the community information centre; poor farmers can collect the required information regarding the various schemes of rural credit.

10.5.12. Some special schemes of agricultural sector should be announced by the Government through which some basic requirements of farmers such as fertilisers, HYVseeds, power tillers, tractor, machines and some other equipments are to be supplied at concessional rate or free of cost through some local agencies such as Gaon Panchayat or block offices.

10.5.13. Sanctioning of credit to the rural sector does not mean that it can solve all the problems of agricultural credit. Rather, a monitor is needed to know the requirements of farmers and assist them as per their needs.

10.5.14. The Government should take a positive step in the construction of godown, cold storage and set up new organised market in the rural areas at a normal distance, so that the farmers can keep their produce in the godown or vegetables in cold storage and they are able to sell at right price in the organised market.

10.5.15. The department of agriculture through Gram Sabhas may take a positive step to educate illiterate farmers to use modern agricultural inputs for adopting modern technique of production and to use various facilities for the growth of agricultural sector. A proper guidance may also be given to the farmers so as to use credit amount in proper way for the development of agricultural sector and its allied sectors.

10.5.16. Infrastructure facilities are the basic requirements for the development of agricultural sector. Before opening a branch of bank in rural areas, the transport and communication facilities must be developed. Hence, Government should give top priority to the development of infrastructure facilities in remote areas.

10.5.17. The local agencies such as Gaon Panchayat, Gram Sabhas and block administration should be involved to help in enlisting the name of borrowers as well as providing loan to farmers.

10.5.18. The incidence of Non Performing Assets (NPA) is a big problem faced by the banking institutions. To solve this problem, a pre-lending supervision of borrowers' planning should be done by the bank officials. The banking institutions should not provide loan to non priority sector.

10.5.19. The banking institutions should organise meeting in the village area at a time interval to aware the borrowers against the ill practices of unproductive utilisation of credits amount and to evaluate the performance of borrowers.

10.5.20. The state government should take some positive steps in the development of entire structure of financial institutions to provide rural credits and should assist the banking institutions to overcome the problem of poor recovery of loan instalment by announcing some new rules against defaulted borrowers or government may announce relief of loanee farmers from the burden of agricultural credit.

10.5.21. The agriculture department should conduct trainings for the motivation of farmers and encourage them to adopt multiple cropping method by using irrigation water.

## **10.6: Conclusion**

The study has made an attempt to understand the system of agricultural credit disbursement policy, the entire structure of financial institutions and socio-economic conditions of farmers in Assam as well as in the sample district Barpeta.

Agriculture is the core sector in the economy of Assam. In Assam, 89 percent out of the total populations are living in rural places and 69 percent of the total working force are directly depending on agriculture and allied activities for their livelihood (As per 1991 census)., the agricultural sector, the main source of livelihood, is facing from the problem of low productivity. The crop productivity level in Assam still shows stagnant and poor. There are various causes of low productivity of this sector such as traditional method of production, natural calamities, lack of

irrigation facilities, use of old inputs, lack of fund etc, in Assam. Among all the problems, lack of adequate fund for performing agricultural activities is considered as big problem of agricultural sector. The banking institutions provide very little amount of credit in comparison to its requirement. Thus, farmers are depending on village money lenders who charge an exorbitant rate of interest. In this regard, financial institutions have been playing a crucial role in the development of agricultural sector. The banking institutions are providing credits to farmers at a cheaper rate in time. By taking institutional credit, poor farmers can become free from the grip of village money lenders. In Assam, majority of farmers are small and marginal farmers. They are always suffering from the scarcity of fund. The regional rural banks, commercial banks and co-operative banks have provided loan to the rural poor for the development of agricultural sector. Thus, without proper development of entire financial structure of the country, development of poor agricultural sector is not possible. The state government of Assam has adopted some new strategy for the development of financial institutions and agricultural sector in Assam.

The study tries to focus the various concept such as contribution of financial institutions in the development of agricultural sector and its allied activities by providing credits in time, process of taking loan for investment in crop production activities, available and timely credit, repayment system of loans, poor recovery of loans and problems of overdue. Loan overdue leads to weak recycling of credits which is certainly a constraint in availing agricultural credit.

## BIBLIOGRAPHY

### A. Books:

1. Agarwal, A.N. and Sing, S.P., The Economics of Development, New York, 1963.
2. Agarwal, B.P., Commercial Banking in India, Classical Publishing Company, New Delhi, 1981.
3. Agarwal, H.S., Simple Indian Economics, Lakshmi Narayan Agarwal Educational Publishers, Agra, 2007.
4. Agarwal, R.N., Agricultural Finance, Vikash Publishing House, Pvt, .Ltd. Ghaziabad, U.P., 1969.
5. Agrawal, A. N., Indian Economy, New Age International Publishers, New Delhi, 2006.
6. Agrawal, A. N., Indian Economy, Wishwa Prakashan, New Delhi, 1995.
7. Agrawal, A.N, Indian Economy, Problems of Development and Planning, Wishwa Prakashan, 1998.
8. Ajit, K. D., Studies on Rural Development Experience and Issues, Inter India Publications, Delhi-1984.
9. Babu, k. S., Commercial Banks and Agricultural Credit: A Study in Regional Disparity in India, Allied Publishers, New Delhi, 1982.
10. Banarjee, P.K., Indian Agricultural Economy, Financing Small Farmers, Chetan Publication, New Delhi, 1977.
11. Bandyopadhyaya, A. K., Economics of Agriculture Credit with Special Reference to Small Farmers in West Bengal, Agriculture Publishing Agency, New Delhi, 1984.
12. Bansil, P. C. Agricultural Problems of India, Vikash Publishing House,(P)Ltd, New Delhi 1977.

13. Bapan, M.S., Regional Rural Banks, Their Working and Growth, Rural India, Vol-51, No-9, September, 1988.
14. Baran, P.A., The Political Economy of Economic Growth, Peoples Publishing House, New Delhi, 1958.
15. Barman, R. & Chanu, D. I., Micro Finance India-Some Issues, in Das, S.K., & Das, S.K., (Ed), Micro Finance and Indian's Rural Economy, New Century Publication, New Delhi, 2011.
16. Basu, S. K. Commercial Banks and Agricultural Credit: A Study in Regional Disparity in India Allied Publishers Private Limited, New Delhi, 1979.
17. Bedi, H.L. and Hardikar, V.K., Practical Banking Advances, UBS Publishers, New Delhi-110002, 1986.
18. Belshaw, H., The Provision of Credit with Special Reference to Agriculture, Auckland University College Texts, No1, Cambridge, 1931.
19. Bhorali, D. Co-Operative Banking and Economic Development, Indian Book Centre (P) Ltd., Delhi, 1970.
20. Bindra, N., The Role Of RRBs in Rural Development, in Agrawal, M., (Ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010, Pp. 59-63.
21. Bisoyi, P. L. and Misra, R. N., Agricultural Credit and Economic Development in India, in Misra, R.N., (Ed) Banks for Rural Development, Sonali Publications, New Delhi, 2007, Pp.98-104
22. Chaudhary, C. M., Bank Rate and Credit Control in India, Amar Prakashan, Delhi-110035, 1984.
23. Chhabra, P. and Mittal, P., Regional Rural Banks-Role in Agricultural Sector, in Agrawal, M., (Ed) Regional Rural Banks And Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010, Pp. 163-175.
24. Choubey, B. N. Agricultural Banking in India, National Publishing House, New Delhi, 1983.

25. Choubey, B. N., Institutional Finance for Agricultural Development, Subhadra Saraswat Publication, Pune, 1977.
26. Choudhury, R. R., Economy Problems of Assam, Kitap Ghar, Guwahati, 1991
27. Christen, R. P., Banking Services for the Poor: Managing for Financial Success, Academic Foundation, New Delhi, 2010.
28. Daimari, P., Economic Development of Assam, EBH, Publishers, Guwahati, 2008.
29. Dang, A. K., Bank Credit in India, Classical Publishing Company, New Delhi-110005, 2002.
30. Darling, M., Punjab Peasants in Prosperity and Debt, Chetan Publication, New Delhi, 1989.
31. Das, S.K., Micro Credit Institutions and Rural Poor in Assam, in Das, S.K. and Das, S.K.,(Ed), Micro Finance and India's Rural Economy, New Century Publications, New Delhi, 2011,Pp.50-60.
32. Datt, G, & Mahajan, A., Datt & Sundharam's Indian Economy, S. Chand & Company Pvt. Ltd, New Delhi-110055, 2002.
33. Datt, G. & Mahajan, A., Indian Economy, S. Chand & Company Pvt. Ltd., New Delhi, 2016.
34. Deb, K., Rural Development of India, Sterling Publishers, Pvt, Ltd, 1986.
35. Desai, B.M., Agriculture And Agricultural Business Issues Under Economic Liberalization in Peter, D.S., (Ed) Contemporary India in Transition, Sage Publications, New Delhi, 1998.
36. Desai, S. S. M., Agricultural and Rural Banking in India, 1993.
37. Desai, S.S.M., Agriculture and Rural Banking in India, Himalay Publishing House, 1990.
38. Dhar, P. K., Indian Economy, Kalyani Publishers, 2006.

39. Dhar, P. K., *The Economy of Assam (Including Economy of North East)*, Kalyani Publishers, 1998
40. Dhar, P. K., *The Economy of Assam*, Kalyani Publishers, 2016.
41. Dhar, P.K., *The Economy of Assam (Including Economy of North East India)*, Kalyani Publishers,2008.
42. Gandhi, J.P, *Rural Credit System in India-an Appraisal*, In *Rural Banking and Overdues Management*, Mittal Publications, New Delhi, 2004.
43. Garg, M.C. and Joshi, N. N., *Co-oprative Credit and Banking : Strategies for Development*, Deep and Deep Publications, New Delhi.
44. Georgescu, R. N., *Economic Theory and Agrarian Economics*, Oxford Economic Papers, 1960.
45. Goswami, P. C., *The Economy of Assam*, Kalyani Publishers, 2001.
46. Goswami, P. C., *The Economic Development of Assam*, Kalyani Publishers, 2009.
47. Griffin, K., *The Political Economy of Agrarian Change: An Essay on the Green Revolution*, Macmillan, London, 1976.
48. Gupta, A. and Gupta, A., *Working of Regional Rural Banks for Rural Society*, in Agrawal, M.,(Ed) *Regional Rural Banks and Upliftment of Rural Society*, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,Pp. 119-124.
49. Hymer, S. and Resnik, S., *A Model of an Agrarian Economy with non Agricultural Activities*, *American Economic Review*, 1969.
50. Iyengar, A.S.K., *A Study in Co-operative Movement in India*, Bombay,1961.
51. Jain, H. C. and Bishen R. K. *Co-Operative Credit to Agriculture*, 1978.
52. Jatin, P.L., *Co-operative Credit in Rural India*, Mittal Publications, New Delhi, 1990.
53. John, K. C., *Rural Transformation and the Overdues Syndrome in Rural Banking and Overdues Management*, Mittal Publications, New Delhi, 2004.

54. Joshi, P.L., Institutional Financing in India, Deep & Deep Publications, New Delhi-110027, 1985.
55. Kapoor, S. Institutional Finance and Rural Development, New Century Publications, New Delhi, 2002.
56. Karmakar, K.G., Rural Credit and Self Help Groups , Micro Finance Needs and Concepts in India, Sage Publications, New Delhi, 1999.
57. Keynes, J. M., The General Theory of Employment, Interest And Money, Brace and World, Inc, 1936.
58. Kumar, R., Role of Financial Institutions in Agricultural Development in India, Sarup and Sons, New Delhi, 02, 1993.
59. Kunwar, U., Banking and Agricultural Growth, Deep and Deep Publications, New Delhi, 027, 1987.
60. Kurien, C.T., Poverty Planning and Social Transformation , Allied Publishers, New Delhi, 1978.
61. Kurulkar, R.P., Agricultural finance in a Backward Region, Himalaya Publishers, Bombay, 1983.
62. Kusum, W. K., Public Sector Banking, Efficiency and Economic Growth in India, World Development, 21(10), 1993.
63. Lalitha, N. and Dayanandan, R., Nabard and Rural Transformation, Dominant Publishers and Distributors, New Delhi, 2005.
64. Lata, S. and Lipi, Role of the Regional Rural Banks in the Economic Upliftment of Weaker Sections of The Rural Society, in Agrawal, M.,(Ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010, Pp. 125-131.
65. Lekhi, R. K. & Choudhary, R. K., Economy of India including Assam and North East, Raj Prakashan, 1994
66. Lele, U. J., The Role of Credit and Marketing in Agriculture Development in India, in Islam, Nurul (Ed) Agricultural Policy in Developing Countries, The International Association, the Macmillan Press Ltd, London, 1974, Pp, 418-28.

67. Lewis, W. A., The Theory of Economic Growth, Harper and Row, New York, 1955.
68. Lewis, W.A., The Theory of Economic Growth (Ninth Impression), George Allen and Unwin Ltd., London, 1970.
69. Lokanathan, V., A History of Economic Thought, S.Chand & Company Ltd. New Delhi.
70. Mahajan, V.S., Indian Economy and Regional Development, Deep and Deep Publication , New Delhi, 1985.
71. Mamoria, C.B., Rural Credit and Agricultural Co-operation in India, Kitab Mahal, Allahabad, 1993.
72. Mckinnon, R. J, Money and Capital in Economic Development, Booking Institution, Washington, 1971.
73. Mellor, J.W., Economics of Agricultural Development, Vora and Company Publishers, Pvt, Ltd., Bombay, 1969.
74. Mishra, J., Indian Economic Development, Vikash Publication House, Pvt. Ltd. Dehi, 1984.
75. Morman, J. B., Principle of Rural Credit, Mac Millan Company, New York, 1999.
76. Murray, W.G., Agricultural Finance Principles and Practices of Farm Credit, Ames Iowa, State College Press, 1947.
77. Naidu, L.K., Bank Finance for Rural Development, Ashish Publishing House, Panjabi Bagh, New Delhi-110026, 1986.
78. Nayak, S. S. Misra, R. N. and Sahu, A. K., Role of Financial Institution in Rural Development under Pmry Scheme: A Study., in Misra, R. N., (Ed), Banks for Rural Development, Sonali Publication, New Delhi, 2007.
79. Nicholson, F.A., Report on Land and Agricultural Book in Madras Presidency, Madras..

80. Nurkse, R., Problems of Capital Formation in Underdeveloped Countries, Oxford University Press, Bombay, 1953.
81. Padhy, K.C., Commercial Banks and Rural Development, Asian Publication Services, New Delhi, 1980.
82. Padmanabhan, K. P., Rural Financing Intermediation in Changing Perspective, Subhadra Saraswat Publication, Pune, 1986.
83. Padmanabhan, K.P, Rural Credit: Lessons for Rural Bankers and Policy Makers, Intermediate Technology Publication, London, 1988.
84. Pal, A, Rural Credit- An Overview, in, Rural Banking and Overdues Management, Mittal Publications, New Delhi, 2004.
85. Panda, R. K., Agricultural Indebtedness and Institutional Finance, Ashish Publishing, New Delhi, 1986.
86. Patrik, H. T., Financial Development and Economic Growth, in Von Pishke, Adams, Donald(Ed), Rural Financial Market in Developing Countries, The John Hopkins University Press, London, 1983.
87. Patro, K., Role of Institutional Finance in Agriculture: A Study in India, in Misra, R.N.,(Ed) Banks for Rural Development, Sonali Publication, New Delhi, 2007, Pp. 21-29.
88. Pattanaik, A, Financial Market and Institution, Ritu Publication, Jaipur, India, 2012.
89. Rajkumar, K. P., Agricultural Finance in India, New Century Publications, New Delhi, July, 2008.
90. Rane, A. A, Agricultural Credit in India, Iswardas Mansions, Bombay, 1980.
91. Rao, V. G., and Malya, P., Agricultural Finance by Commercial Banks, Ashish Publishing House , New Dehi,1980
92. Rathore, S. S, Rural Banking in India, New Royal Book Co, Lucknow, 2004.
93. Rayudu, C. S, Rural Credit in India (A Study of Andhra Pradesh), Mittal Publication, New Delhi, 1991.
94. Reddy, K.V., Rural Development in India, Himalayan Publishing House, New Delhi, 1988.

95. Sagar, S., Commercial Banks in India, Deep & Deep Publications Pvt. Ltd., Rajouri Garden, New Dehi, 2005.
96. Sandhu, B.S., Banking and Rural Development, Deep & Deep Publication, New Delhi, 1996.
97. Sarma, N., K., and Sarma, S., Role of Agriculture in Indian Economy, Rbsa Publishers, Jaipur, 003, 2007.
98. Schultz, T. W., Transforming Traditional Agriculture, Yale University Press New Haven, 1964.
99. Sethi, B. N., Bank with the Poor for Rural Development, in Misra, R.N.,(Ed), Banks for Rural Development, Sonali Publications, New Delhi, 2007.
100. Shandilya, S. and Misra, R.K., Socio-Economic Significance of RRBs for Rural Economy of India., In Agrawal, M.,(Ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep Publications, Pvt, Ltd, New Delhi, 2010,Pp.64-71.
101. Sharma, D. and Khangta, M., Rural Credit Disparities in Himachal Pradesh, Kunal Books, New Delhi, 2012.
102. Sing, A., Rural Development and Banking in India, Deep & Deep Publishers, New Delhi-110027, 1985
103. Sing, A., Working of Regional Banks for Rural Society, in Agrawal, M.,(Ed) Regional Rural Banks and Upliftment of Rural Society, Deep and Deep, Pvt, Ltd, New Delhi, 2010,Pp. 221-230.
104. Singh, J. P,M.L. Chakravarty, H. N. Atibudhi, Rural Banking, Ashish Publishing House, New Delhi, 1988.
105. Smith, A., An Enquiry in to the Nature and Causes of the Wealth of Nations, Henry Frowds, London, 1904.
106. Subrahmanyam, S, Institutional Credit for Rural Development-Trends and Issues, in Rural Banking and Overdues Management, Mittal Publications, New Delhi, 2004.
107. Thingalaya, N. K., Marginal Farmers and Agricultural Labourers in South Kanara District : Economic Analysis, Manipal , Syndicate Bank , 1976.
108. Trashis, L., Modern Economics, Houghton Mifflin Company Boston, 1969.
109. Turan, M.S., Institutional Finance in Rural Development, Harman Publishing House, New Delhi,1989.

- 110 Tyagi, B.P. Agricultural Economics and Rural Development, Jaiprakash Nath &Co-2000
111. Tyagi, V., Role of Regional Rural Banks in India Economy and Rural Development, in Agrawal, M., Regional Rural Banks and Upliftment of Rural Society, Deep &Deep Publications Pvt. Ltd., New Delhi-0027, 2010, Pp., 72-85.
112. Uddin, N, Regional Rural Banks Development, A Mittal Publications, New Delhi, 2003.
113. Vashistha, V.K., Role of Financial Institutions in Regional Development of India, Prateeksha Publications, Jaipur, 1987.
114. Veerashekhara, Institutional Finance for Rural Development, Rawat Publication, Jaipur and New Delhi, 1997.
115. Verma, M.L., Rural Banking in India, Rawat Publications, Jaipur, 1988.
116. Vyas, M. R., Financial Performance of Rural Banks, Arihant Publishers, Jaipur, 1991.
117. Wasnik, K.P., Women in Agriculture, Kalpaz Publications, Delhi 2006.
118. Yadav, B.S., and Singhal, A., Role of Regional Rural Banks in Rural Development, Shree Publishers and Distributors, New Delhi, 2005.

#### **B. Journal:**

1. Bathla, S., Thorat, S., Joshi, P.K. and Bingxivyu, "Where to Invest to Accelerate Agricultural Growth and Poverty Reduction" Economic and Political Weekly, Vol-39, Chaptember 2017.
2. Bhende, M.J, "Credit Market in Rural South India", Economic and Political Weekly, 21 (38 And39) 1986.
3. Dalwai, A., "Doubling of Farmers' Income, Agricultural Growth and Farmers' Welfare" Kurukshetra, A Journal on Rural Development, Vol-65, June, 2017.
4. Dandekar, V.M., "Agriculture Employment and Poverty" Economic and Political Weekly, Vol-21, No-38 &39, September, 1986.
5. Dantawala, M.L., "Estimation of Demand for Credit and its Role in Poverty Allegation", Indian Journal of Agricultural Economics, 44 (4) , 1989.

6. Desai, B.M., "Level and Investment in Agriculture- A Micro Cross Section Analysis of a Progressive and Backward Area" *Indian Journal of Agriculture Economics*, Vol-24, No-4, 1969.
7. Gadgil, M.V. "Agricultural Credit in India: A Review of Performance and Policies", *Indian Journal of Agricultural Economics*, 33(4), 1978.
8. Galbis, V., "Financial Intermediation and Economic Growth and Less Developed Countries: A Theoretical Approach" *The Journal of Development Studies*, 1977.
9. Ghosh, M.G., "Investment Behaviour of Traditional and Modern Farm- A Comparative Study" *Indian Journal of Agriculture Economics*, Vol-24, No-4, 1969.
10. Kumar, A., K.M.Singh and S. Sinha, "Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants", *Agricultural Economics Research Review*, Vol-23, July-December 2010.
11. Lenka, D., "Financial Inclusion in Rural Areas Through 'Digital India'", *Kurukhetra, A Journal on Rural Development*, Volume- 64, August 2017.
12. Maan, V. K., and Singh, A., "Role of NABARD and RBI in Agricultural Sector Growth, *International Journal of Emerging Research in Management & Technology*, Issn:2278-9359, Volume-2, Issue-3, March 2013.
13. Meena, V., "Irrigation System in India", *Kurukhetra, A Journal on Rural Development*, Volume- 66, November 2017.
14. Mishra, R.K., "Overdue in Agricultural Credit: A Case Study, *Journal of Business Economic Issues*", Vol-03, No-02, 2012.
15. Pal, M., "Agriculture and Farmers' Welfare: New Initiatives and Challenges" *Kurukshetra, A Journal on Rural Development*, Vol-64, N0-08, 2016, Pp.05-09
16. Pramanik, R., "Microfinance and Capacity Building Of Rural Poor: Prospect And Challenges" *Kurukshetra, A Journal on Rural Development*, Vol-63 August 2015, Pp-36-38.
17. Puhazhendhi, V. and Jayaraman, B., "Rural Credit Delivery: Performance and Challenges BEFPRE Banks" *Economic and Political Weekly*, January 16, 1999, Pp. 175-182.

18. Rajagopalan, V., "Farm Liquidity and Institutional Financing for Agricultural Development" *Indian Journal of Agriculture Economics*, 26(40), 1968.
19. Rajasekhar, D., and Suvarchala, G., "Institutional Credit and Overdue", *Economic and Political Weekly*, July 27, 1991.
20. Shivamaggi, H.B., "Reforms in Rural Banking: Need for Bolder Approach," *Economic and Political Weekly*, Vol-Xxxv, No-20, 2000, Pp. 1714-1718.
21. Sing, C., Ananth, A., and Dadhich, C., L., "Credit as a Contributor to Doubling of Farmers' Income" *Kurukshetra, A Journal on Rural Development*, Vol-65, June 2017.
22. Sing, U.S. and Jha, D., "A Normative Analysis of the Impact of Capital Availability of Farm Income and Demand for Short Term Credit on Farms in Delhi" *Indian Journal of Agricultural Economics*,26(4),1971.
23. Soni, A. K. and Saluja, H.P.S., "Role of Cooperative Bank in Agricultural Credit: A Study Based on Chhattisgarh, 'Abhinav'" *National Monthly Referred Journal of Research in Commerce and Management*, Issn-2277-1166, Vlume-01, Issue-10, 2016.
24. Tripathi, K. K., "Financial Inclusion in Rural India: will 'Jan Dhan Yojana' Meet the Inclusion Gap?", *Kurukhetra, A Journal on Rural Development*, Volume-63, August 2015.
25. Yotopoulos, P. A. and Sagrenio, L.F., "Income Distribution, Transaction Costs and Market Fragmentation in Informal Credit Markets", *Cambridge Journal of Economics*, 16, 1992.

### **C. Thesis:**

1. Barman, B.T., *Institutional Rural Credit in Assam: A Case Study of Rangia Sub-Division*, Gauhati University, Thesis, Unpublished, 2003
2. Barman, D., *Problems of Agricultural Financing in Assam-A Case Study of Nalbari District*, Gauhati University, Thesis, Unpublished, 2006.
3. Chatteerjee, S., *Regional Rural Bank and Agricultural Credit: A Critical Evaluation (With Special Reference to Uttarbanga Kshetriya Gramin Bank)*, N.B.U., Thesis, Unpublished, 2008.

4. Chintamani, R.M., An Evaluation of the Institutional Credit to Agriculture in India, Pune University, Thesis, Unpublished, 2015.
5. Deka, B.R., Agricultural Credit in Assam-A Study on Institutional Sources from 1951-1974., Gauhati University, Thesis, Unpublished, 1984
6. Razzaque, A., Role of Financial Institution in Relation to Rural Development with Special Reference to a Backward District Like Malda Since Nationalization of Commercial Banks, NBU, Thesis, Unpublished
7. Sarkar, R.A., Rural Finance in Agriculture Sector of Bangladesh: Present Status and Future Development Strategy for Normal Sector Banks, NBU, Thesis, Unpublished, 2002.
8. Tamuli, R., Institutional Finance to Rural Development-A Study of Subansiri Gaonlia Bank in Undivided Kamrup District, Gauhati University, Thesis, Unpublished, 1989.

#### **D. Reports:**

1. Reserve Bank of India, All India Rural Credit Survey, Bombay, 1954.
2. Reports of All India Rural Credit Review Committee, RBI, 1966, P-247.
3. Reports of Working Group on RRBs, under the Chairmanship of Sri Narasimham, RBI, Bombay.
4. Reports of Working Group to Review the Report of Narasimham Group on RRBs under the Chairmanship of M.L. Dantawala, 1978, RBI.
5. Reports of CRAFTICARD (1979) Chairman B.Sivaraman, RBI, 1979.
6. Reports of the Senior Expert Group, RBI, 1986.

7. Reports of the Committee on the Financial System 1991(Narasimham Committee).
8. 1<sup>st</sup> Annual Report, Assam Gramin Vikash Bank, 2005-2006.
9. 2<sup>nd</sup> Annual Report, Assam Gramin Vikash Bank, 2006-2007.
10. 3<sup>rd</sup> Annual Report, Assam Gramin Vikash Bank, 2007-2008.
11. 4<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2008-2009.
12. 5<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2009-2010.
13. 7<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2011-2012.
14. 8<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2012-2013.
15. 9<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2013-2014.
16. 10<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2014-2015.
17. 11<sup>th</sup> Annual Report, Assam Gramin Vikash Bank, 2015-2016.

#### **E. Publications, Govt. of Assam :**

1. Economic Survey, Assam, Directorate of Economics and Statistics, Assam, 2013-
2. Economic Survey, Assam, Directorate of Economics and Statistics, Assam, 2016-.
3. Statistical Handbook, Assam, Directorate of Economics and Statistics, Assam, 2016.

#### **F. Research Methodology:**

1. Dasgupta, M., Research Methodology In Economics, Problems And Issues, Deep & Deep Publications, Pvt. Ltd, New Delhi, 2007.
2. Kothari, C.R. and Garg, G., Research Methodology, Methods and Techniques, New Age International Publishers, New Delhi, 2014.

3. Sarma, M., Research Methodology, Assignment, Seminar Paper and Project, EBH Publishers, Guwahati-001, 2012.

**G. Dailies :**

1. The Assam Tribune
2. The Times of India
3. The Economic Times

**H. Websites:**

1. [www.org.com](http://www.org.com)
2. [www.yahoo.com](http://www.yahoo.com)
3. [www.google.com](http://www.google.com)

**INDEX****A**

Agricultural Sector, 1  
 Airlines, 70  
 Airport, 70  
 All India Rural Credit Survey  
 Committee, 76  
 Anchalik Panchayat, 10  
 ASMIDC, 64  
 ASTC, 68

**B**

Backbone, 5  
 Backward, 1  
 Barak Valley, 41  
 Bharat Sanchar Nigam Limited, 7  
 BPL, 7  
 Brahmaputra, 41  
 Bribe, 205

**C**

Central Inland Water Transport, 70  
 Central Statistical Organisation, 5  
 China, 41  
 Commercial Bank, 85  
 Community Development Block, 10  
 CRAFTICARD, 32

Credit, 1  
 Cultivation, 1

**D**

Density, 45  
 Devastating, 62  
 Disbursement, 79

**E**

Emergency, 79  
 Entrepreneurs, 84  
 Exploitative, 78

**F**

Farmer, 1  
 Finance, 19  
 Flood, 60

**G**

Gaon, 12  
 GDP, 5  
 Geographical, 41

**H**

Horticulture, 57  
 H.Y.V. Seeds, 55

**I**

Immigrant, 11  
 Indebtedness, 169

Infrastructure, 63

Irrigation, 63

## **K**

KCC, 94

Kutch, 112

## **L**

Literature, 18

Litigation, 171

LTCCS, 83

## **M**

MEDP, 91

Micro Finance, 95

Multi Agency Approach, 153

## **N**

NABARD, 24

NPA, 182

N.F.R. Zone, 69

## **O**

Overdue, 28

## **P**

Poultry, 95

PWD, 68

Pucca, 112

## **Q**

Questionnaire, 9

## **R**

RBI, 79

Redtapisism, 175

RIDF, 91

RRBs, 20

Rural, 5

## **S**

SHGs, 30

State Domestic Product, 52

STCCS, 81

Surface, 63

## **T**

Tertiary Sector, 51

TRYSEM, 29

## **U**

UBKGB, 25

U.K., 5

U.S.A., 5

## **V**

Vanaspati, 5

Vayudoot, 70

## **W**

Willful, 179

Women, 192

## **Y**

Yield rate, 55

## **Z**

Zila Parishad, 10

**ANNEXURE-I****INTERVIEW SCHEDULE FOR THE COLLECTION OF DATA FROM FARMERS**

1. Name and Age of the respondent
2. Sex (Please Tick) M / F, Marital Status (Please Tick) Married /Unmarried.
3. Name of the village :
4. Name of the Panchayat :
5. Name of the Block:
- 6 Name of the District:
7. Total number of family members and total land holdings   Bigha
8. Total number of dependent persons
9. Religion of the borrower- Hindu / Islam / Christian.
10. Community of the borrower- Indigenous Assamese / Tribal / Immigrant Muslim.
11. Educational Qualification (Please Tick)
- (Illiterate / Below HSLC/ HSLC /HS/ UG/ Graduate/PG / Technical)
12. Monthly income
- 13 Name of the bank from where you have taken loan
14. If you have taken loan from no-institutional sources, please mention the source
- i) Village money lender      ii) Mahajan / land owner
- iii) Friends                      iv) Relatives
15. Please mention at what distance from your village, the bank branch is located?
- i) 1 Km      ii) 2 Km      iii) 3 Km      iv) 4 Km      v) Above 5 Km

16. Under which scheme did you able to get loan?

17. Have you availed credit facilities from bank in time? Yes /No

If no

18. Mention the time and that you have to wait for obtaining the loan from the bank?

19. How many times did you need to visit the branch till to get the loan?

20. Did you require giving any security against the loan? Yes/No

21. Did you require to pay any margin to the bank? Yes /No

22. Please mention the amount of credit requirement to fulfill your project or scheme.

23. Please mention the amount of loan, actually you have received.

Recovery Amount

Outstanding

24. Whether the amount of loan sanctioned for you is sufficient to execute your project. Yes /No

25. Mention the amount of subsidy (if any)

26. Are you satisfied with the service rendered by the bank? Yes /No

27. Is the interest rate affordable to you? Yes/No

28. Is there any middle man in the process of getting the loan? Yes/No

If yes, did you require to pay any amount to them? Yes /No

29. Are you indebtedness? Yes /No

30. If yes, please mention the causes of indebtedness.

i) Low income ii) Failure of crop production iii) Repayment of old debt



35. Residential House and Living Condition:

	Residential house	Drinking water sources	Toiletry system	Electricity
Before loan				
After loan				

36. Please point out the reasons for delay in advancing loan. ( if any)

i) Shortage of bank staff ii) Queries iii) Lack of fund iv) ill attitude of bank officials.

37. Please mention the amount of loan outstanding and overdues. ( if any)

Outstanding  Overdues

38. Please mention the causes of overdues. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

39. Please mention the loan repayment system (please tick)

Regular /Irregular / Defaulter.

40. If irregular or defaulter, please tick the reason :

Lower income/Unwillingness/ Higher family consumption/ Natural calamities/ other

41. Do you utilise the loan amount in proper way? Yes/No

42. If no, please mention the alternative way of utilising the loan. ....

43. Please express your opinion about advancing and repayment procedure of bank loan.( please tick) Simple/ Complex

44. Is there any market facility in your village area? Yes /No

If no, at what distance the market is located?  Kms

45. Any suggestion.....

**ANNEXURE-II****INTERVIEW SCHEDULE FOR BRANCH MANAGER OF BANKS**

1. Name of the Bank

2. Name of the branch

3. Location of the branch

i) Name of the Village/ Town-

ii) Name of the Block-

iii) Sub-division-

4. Can your branch provide sufficient service for the locality?

**Yes/No**

5. Have you maintained any procedure for identification of borrowers before disbursement of loans?

**Yes/No**

6. Please mention the causes of any wrong identification (if any).

7. Do you estimate the habit of savings among the beneficiaries in your area?

**Yes/ No**

8. Please point out the reasons for low amount of saving with the branch

i) Poor people

ii) Illiteracy

iii) Lack of confidence on banks

iv) low amount of loan disbursement to the people

9. Please mention the causes which are responsible for delay in sanction and disbursement of loans-

i) Delay in the submission of necessary documents by the borrower.

ii) Shortage of bank staffs.

iii) Other, please specify-

10) Total loan sanctioned for-

i) Agriculture (crop production).

ii) Agriculture and Allied activities.

iii) Industry (small/large).

iv) Business.

11. Total loan sanctioned for - i) Short Term ii) Medium Term iii) Long Term

12. Can you fulfill the credit requirement of agricultural sector ? Yes /No

If no

13. Please point out the reasons for which branch cannot fulfill the required amount of credit

i) Lack of infrastructure facilities.

ii) Lack of schemes for loan sanction.

iii) Lack of interest of farmers.

iv) Other.

14. Please mention the reasons which are responsible for poor recovery of loans.

i) Lower income of borrower.

ii) Unproductive utilisation of credit.

iii) Mis-utilisation of credit.

iv) Unable to maintain the assets.

v) Willfully defaulted

15. Whether the branch holds any meeting in the village area ? **Yes/No**

If yes, then what interval?

i) Quarterly.                      ii) Half yearly.                      iii) Annually.

16. Whether the utilisations of schemes of loans are regularly monitored? If not, please mention the reason

i) Heavy work load in office.

ii) Inadequate staffs..

iii) Backward transport and communication facilities.

17. Do you have adequate manpower in your branch? **Yes/No**

18. Please mention some problems, you are facing in advancing loan.

a)

b)

c)

d)

E)

19. Please give your valuable suggestions for the improvement of agricultural credit system in Assam. (nIf any)

a)

b)

c)

d)

e)

The

# BAC Research Journal

ISSN-2454-2393

Issue No-2, July, 2015-December, 2015.

Bi-Annual Multi-Lingual Research Journal, December,  
2015.

---

Bi-Annual Multi-Lingual Research Journal, December,  
2015.

---

*Published By Chairman*

*Research, Publication and Publicity Cell*

*Bhawanipur Anchalik College*

*Bhawanipur, Dist: Barpeta, Town: Barpeta, Guwahati, Assam, India, Pin -  
781352 Phone: 0366-214711*

## Self Help Groups and Micro Finance System in Assam

**Malay Kalita**

Assistant Professor  
Department of Economics  
Bhawanipur Anchalik College

### Introduction

Micro finance was started to meet the required financial needs of small entrepreneurs and can be regarded as an important tool to minimize poverty as well as empowerment of rural weaker section of the people. The micro finance programme was launched by NABARD (National Bank for Agriculture and Rural Development) in 1992 with organization of 500 Self Help Groups (SHGs) which was the largest micro finance programme in the world.

Self Help Groups (SHGs) play an important role to alleviate poverty and creating employment opportunities especially among the weaker section of the society. SHGs are small voluntary associations which are generally a group of 10 to 20 members of below the poverty line (BPL) people of rural areas. They are organized themselves for the purpose of solving their common problems through self help and mutual help. The SHGs collect savings from members on monthly basis and inter-lend the fund among themselves over time. In a SHG, everyone is involved in decision making and is encouraged to gear up the leadership of the group. SHGs have been introduced as a new generation grass root level institutions for meaningful delivery of needy services and credit requirement. These groups can be regarded as an engine of rural development. Though, historically, the initial steps in the direction of SHG movement was taken by NABARD in 1987, the SHG movement in Assam started somewhat later and it gains popularity only after the introduction of Swarnajayanti Gram Swarojgar Yojana (SGSY) in 1999. Under this programme, the development activities are to be implemented through SHGs. Today, it is widely recognized that the institution of SHG is an important instrument of fighting against poverty, unemployment and empowerment of rural women.

**Objectives of the Study:**

The study is based on the following objectives:

- To highlight the SHGs movement in Assam.
- To find out the necessity of formation of SHGs for socio-economic development of rural areas in Assam.
- To highlight the changing scenario of saving behaviour and micro credit delivery system among the rural masses.
- To find out the benefits of weaker section from SHGs.
- To highlight the role of SHGs in empowering rural women in Assam.

**Methodology:**

The study is mainly based on secondary information particularly from various publications of state Govt. of Assam, various journals, books, statistical hand books, Govt. of Assam, Economic Survey, Government of Assam.

**Discussion:**

Micro credit is the new modern concept of growth and development of developing and underdeveloped countries which was borrowed from Grameen Bank, Bangladesh and was founded by Prof. Mohammad Yunus of Chittagang University in 1975. He believed that credit should be human right. Small credit, advanced locally, has been given a new name, micro credit. Not only in India, but in many developing, least developed and underdeveloped countries also, micro credit is spreading its wings covering newer fields. Micro credit is beneficial for both borrowers as well as lenders. Not only the micro finance institutions but even large national and international banks have also ventured in the area of micro finance. The poor people's most urgent need was to find opportunities for depositing their small saving and access to additional funds for loans to meet emergencies and for micro investments. Most of the micro finance programmes prefer working with women Self Help Groups. The reason is that women's SHGs try to empower the rural women economically.

The Bank linkage programme through SHGs is the main micro finance model to provide financial support to small entrepreneurs including farmers in the country and spreading banking services to the uncovered rural area.

The following tables illustrate the Bank linkage programme through SHGs till the end of March 2013. The total bank linked SHGs in Assam were 540566 out of which 259548 were credit linked.

**Table : 1**

**Self-Help Groups Financed by Banks:**

(Rs-in lakh)

Year	Total bank linked SHGs		Deposit linked		Credit linked	
	Number	Amount	Number	Amount	Number	Amount
2004-05	122304	20975.75	79592	3409.05	42712	17566.70
2005-06	269917	48239.13	175565	9846.77	94352	38392.36
2006-07	230902	58040.52	121474	5261.61	109428	52778.91
2007-08	257863	57417.70	142147	6044.72	115716	51372.98
2008-09	305132	77365.49	166740	7485.51	138392	69879.98
2009-10	374745	92724.79	210890	9123.46	163855	83601.33
2010-11	433954	118051.17	240032	11195.29	193922	106855.88
2011-12	499183	139741.00	272822	10928.00	226361	128813.00
2012-13	540566	164138.86	281018	12228.9	259548	151909.96

Source:- Reports of State Level Bankers Committee, Assam. 2014

**SHG-Bank Linkage under SGSY:**

Swarnajayanti Gram Swarojgar Yojana is one of the main schemes of poverty alleviation programme. The objective of the programme is to develop the socio-economic conditions of rural people of living below poverty line by providing Bank loan and Government subsidy. SHG-Bank linkage under SGSY is shown by the following table:

**Table-2**

(Rs-in lakh)

Year	Total Credit Linked SHGs		Credit linked SHGs under SGSY	
	Number	Amount	Number	Amount
2004-05	42712	17566.70	20388	11273.74
2005-06	94352	38392.36	48235	25024.66
2006-07	109428	52778.91	54735	36549.70
2007-08	115716	51372.98	54790	31006.57
2008-09	138392	69879.98	69144	45898.88
2009-10	163855	83601.33	84678	55161.36
2010-11	193922	106855.88	102166	74784.79
2011-12	226361	128813.00	123473	94423.5
2012-13	259548	151909.96	134107	106687.46

Source: Reports of State Level Bankers Committee, Assam. 2014

Till the end of March 2013, the corporation has sanctioned Rs. 233 crore and succeeded to reach out to more than 300000 beneficiaries out of which 91 percent are women in NE region. The total amount sanctioned and disbursed under micro finance in Assam is shown by the following Table:

Table : 3

**Total Amount Sanctioned and Disbursed Under Micro Finance in Assam**

(Rs-in Lakh)

Item	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-9	2009-10	2010-11	2011-12	2012-13
Amount sanctioned	3	40	119	154	243	93	150	501	1170	1344	1196	3031	4743	3691
Amount Disbursed	3	26	82	145	204	140	140	499	515	1120	1490	3346	3908	3866

Source: Annual Reports of NEDFI, 2014

**Present Micro Credit Delivery System:**

Micro credit delivery system can be classified in to five groups:-

- The SHG model is considered as the basic micro finance institution in India. SHG is developed and promoted by NABARD to reduce unemployment and create more employment opportunities to alleviate poverty in the country.
- Credit is given directly to the individual, to the unemployed weaker section of the society with collateral security or fixed deposit, by the financial institutions for starting micro enterprise.
- People of voluntary form of small groups of five people to provide mutual, morally binding guarantees in lieu of the collateral required by commercial banks. In this system, only two members are allowed for loan depending on their performance on repayment, the next two members can apply and subsequently the fifth members as well. It has been adopted in many countries with modification to suit local condition and culture.
- The model is an extension or expansion of the group where the basic necessities of the poor especially the women are met through the community banking system. The community or village banks are organized with 30-50 members.
- Co-operative credit societies provide credit and other financial services to their members from the deposits of members according to their requirements.

**Suggestions:**

Following are the few suggestions of the study:

- Various training facilities should be provided for self employment of members of SHGs in Assam.
- Government should arrange conferences and seminars among the rural people in different corners of the country as they can understand about the beneficiary of SHG.
- Micro credit delivery system should be easy or simple as the rural illiterate people can enjoy the opportunities of micro finance through SHGs.

**Conclusion:**

The study reveals that SHGs are playing an important role in empowering poor people of villages. The SHGs have contributed a lot to the society by bringing awareness among the poor illiterate people especially of women folks about the rights and privilege. It has given courage and confidence to fight for their economic survival as well as for justice. Thus, SHGs have given a new hope to the rural poor for their socio-economic empowerment.

**References****Books**

De, Utpal Kumar, (2012). *Economy of North East India*, Binapani publishing house, Guwahati.

Sing, B.K. (2006). *Women Empowerment through Self Help Groups*, Adhyayan publishers and distributors, Delhi.

Teki, S & Mishra, RK (2013). *Micro Finance & Financial Inclusion*, Academic Foundation, New Delhi,

**Journal**

Anweshan” An Annual Research Journal of ACTA, Barpeta Zone vol-11, 2013-14

Jain, R (2003). Socio Economic Impact Through Self Help Groups, Yojana, vol-47, No-7, Pp11-12



# **WOMEN EMPOWERMENT PROBLEMS AND PROSPECTS**

*Edited by*  
Mukunda Sarma  
Pallabi Nath



*Publisher*  
**IQAC**  
**Mrityunjoy Publications, Panbazar**  
**Guwahati, Assam, India.**  
&  
**Research, Publication and Publicity Cell**  
Bhawanipur Anchalik College  
Bhawanipur

*The book Women Empowerment - Problems and Prospects is the compilation of the Research Papers Presented in the National Seminar Organised by the Women Cell of Bhawanipur Anchalik College in Collaboration with B. H. Colege, Howly on 6<sup>th</sup> & 7<sup>th</sup> February, 2017 with the financial assistance of the UGC, NERO, Edited by Dr. Mukunda Sarma, Principal, Bhawanipur Anchalik College, Bhawanipur, Barpeta, Assam and published by the IQAC Research, Publication and Publicity Cell., Bhawanipur Anchalik College, P.O.- Bhawanipur, Dist.- Barpeta, Assam, 781352 in Collaboration with Mr. Binay Kumar Deka and Mr. Paresh Patowary of Mrityunjy Publications, Panbazar, Guwahati, Assam, India.*

---

©Publication Cell, 2018

*All rights reserved. No part of this work may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the copyright owner and the publisher.*

*First Published*

*August: 2018*

*ISBN: 978-81-925353-7-1*

*Cover Design*

*Uday Haloi*

*Setting & Designing*

*Uday Haloi*

*Price: Rs.800/-*

*E-mail & College website*

*msarma.tihu@gmail.com*

*[www.bacollege.in](http://www.bacollege.in)*

*Declaration*

*The book Women Empowerment - Problems And Prospects is edited by Dr. Mukunda Sarma and published by the IQAC Research, Publication and Publicity Cell, Bhawanipur Anchalik College, P.O. Bhawanipur, Dist.- Barpeta, Assam, 781352 in Collaboration with Mr. Binay Kumar Deka and Mr. Paresh Patowary of Mrityunjy Publications, Panbazar, Guwahati, Assam, India. As the book is the assemblage of Seminar Papers, neither the Editor nor the Publishers are responsible for any duplicaton or for the replication of the works of other author(s) or researchers without prior permission. Legal responsibilities for such works are to be accepted by the authors of the papers as per the provision of the Copy Right Act.*

**ROLE OF WOMEN IN RURAL DEVELOPMENT OF  
ASSAM:  
A SURVEY IN BAJALI DEVELOPMENT BLOCK, BAJALI.**

**By -Malay Kalita  
Asstt. Prof. in Economics  
Bhawanipur Anchalik College**

**INTRODUCTION:**

Agriculture is one of the vital pillar of human civilization as well as economic development of a country. Agriculture sector has a great importance for the development of industrial sector because the former provides required raw materials to industrial sector. So, it is need to develop this sector for socio economic upliftment of a country. The economy of Assam continues to be predominantly agrarian; the dependence of rural labour force on agriculture and allied activities was nearly 53% as per population census, 2001. Emancipation of women is a pre-requisite for nation's economic development and social upliftment. The role of women and the need to empower them are central to human development programmes. Women represent one of the crucial development forces in the world. As per the world economic profile, they form half of the total world population, contribute 60% of working force, making up 30% of official labour force and contribute 50% in the food production. About 84% of economically active women in Assam are engaged in agriculture and allied activities as compared to 63% of men. It is estimated that there are 75 million women in dairying as against 15 million men and 20 million women in other livestock activities as compared to 1.5 million men in India.

Status and role of rural women and their problems are linked to the history and social system of Assam. Women constituted half of the total population, yet, they are not able to take part in every aspect of social life. Though, six decades have passed since independence, yet, women are into the economical dependence, socially neglected and political ignorance, eventually preventing them to attain their due place in society. Women status in society can be measured in terms of educational level,

income, employment as well as the role played by them in the family, society and the community. In-fact education and employment of women are the first pre-requisite not only for improving the status of women but also for moving towards gender equality.

Employment is an important indicator of empowerment. The percentage of non-workers in Assam was 64.12% as compared 60.74% in India (Census 2001). A higher proportion of female are non-workers in Assam as compared to India it is 50.23% of male and 77.72% of female in rural areas and 48.97% male and 89.71% of female in urban areas in Assam; where as 47.64% of male and 69.02% of female in rural areas and 67.77% of male and 88.48% of female in urban areas are non-workers in India. The percentage of rural female non-workers depicts a wide gender gap in respect of employment in the state. In this situation, commercialization of agriculture through changing cropping pattern and by using modern agricultural technique of production in small and marginal farm will provide employment opportunity to both educated and uneducated women living in rural areas of Assam.

The issue of women empowerment is very complex and multi-dimensional process which should enable women to realize their full identity and used their power in all spheres of life. It consists of greater autonomy in decision making, greater ability to plan their lives, have greater control over their circumstances, freedom from shackle imposed on them by custom, belief and practice. Economic empowerment is the key of empowerment. It is realized that women become empowered if and only they make themselves economically empowered first. Self generated income is considered to be the major means of empowerment of women. Employment help women to move from their home to an extended field, express their views, exchange their problems and evaluate their position in the society. Agriculture is one of the largest sectors which can absorb maximum number of women and earn their income for maintaining their family. Thus, agriculture sector can empower the women class.

#### **OBJECTIVES OF THE STUDY :**

The study is based on the following objectives.

1. To find out the contributions of women in the development of agricultural sector in Assam.

2. To explore the significance of the agricultural sector in the economy of Assam, particularly with regard to the prospects of women's employment.
3. To highlight the status of rural women in Assam.
4. To find out the socio economic condition of women in Assam, particularly those engaged in agricultural sector.

#### **METHODOLOGY :**

The study is based on both primary and secondary data. The secondary data are collected from various publications of state govt., economic survey, Assam Govt., Statistical Handbook of Assam, Govt. of Assam, various journals.

The primary data has been collected in the year 2013 by undertaking field study for investigating women's employment in agricultural sector. The survey was conducted with the help of a well designed questionnaire meant for each of the areas about the participation of rural women in agricultural sector of five villages. The total number of respondents was 150 and their ages ranged between 18 to 60 years. For a better investigation, the respondents were personally interviewed with the help of the questionnaire.

#### **ANALYSIS OF FIELD DATA AND DISCUSSION :**

Sampling is the process by which relatively small number of individuals or members, objects or even are selected and analysed in order to find out something about the entire population from which it was selected. It helps to reduce expenditure, time, energy and produces greater accuracy. Sampling procedure provides generalization on the basis of a relatively small proportion of the population.

Bajali development block is situated under Bajali Sub-division of Barpeta district in Assam. In this block 90% people live in rural areas. Out of which 75% directly dependent on agricultural sector. In sample survey, we have been taken 150 agricultural families from five villages of Bajali Development Block. The data obtained on the basis of the questionnaire were analysed category wise and discuss as under –

*Identification and personal background :*

<u>Sl. No</u>	<u>Village</u>	<u>Number of Respondent</u>
1.	Bamakhata	30
2.	Bhotanta Mahitara	20
3.	Bhotanta Saderi	20
4.	Muguria	40
5.	Paschim Kathalmuri	40
		Total- 150

Average age of the respondent is 38 years (range 18-60 years)

**EDUCATIONAL STATUS OF THE SAMPLE WOMEN FARMERS :**

It is generally observed that there is an inverse relationship between educational qualification and agricultural workers because educated persons are generally engaged in other works than agricultural activity. The level of educational qualification of sample women farmers are shown by the following table No 1

Table No. : 1

Educational standards of the women farmers:

No of Respondents	Illiterate	Below HSLC	HSLC	HS	Graduate	P.G.	Total
150	47	70	26	5	2	0	150

The table No. 1 shows that out of 150 women farmers 47 (31.33%) were illiterate and 103 (68.67%) were literate out of which 2 (1.33%) graduate and there was not any post graduate women farmer. In the field of education, the primary objective of the state govt. is the universalisation of primary education and qualitative improvement of human resources through different schemes and programs. But due to not proper implementation of these schemes, yet, there are so many illiterate women in Assam. There are also some other causes of illiteracy of women such as early marriage, social customs and poverty.

Table No. : 2

Distribution of women workers in agricultural sector :

No. of Respondents	Cultivators	Agricultural laborers	Livestock and allied activities
150	50 (33.33%)	70 (46.67%)	30 (20%)

It is revealed from table no. 2 that rural women engaged themselves in cultivation and crop production because there is no scope for other kinds of work for them

Table No. : 3

Types of employment:

Nos of Respondents	Whole year employment	Seasonal employment	Disguised unemployment
150	10 (6.67%)	110 (73.33%)	30 (20%)

The table no 3 shows that only 6.67% women get whole year work opportunities and 20% are disguised unemployment. They are willing to work but due to lack of job opportunities, they engaged only without production. 73.33% women works for few seasons and during the period of lean season they remain idly. In this context we must say that for the improvement of the status of the rural women, economic standards must be improved through employment in modern agricultural sector.

### **SUGGESTIONS :**

The following few suggestions may be considered seriously for the improvement of condition and status of women farmers as given by the respondents during interviews:

1. Various job opportunities for women farmers should be created.

2. Government should provide proper training facilities for the occupations allied to agriculture like- horticulture, livestock, including husbandry, poultry and fisheries.
3. Rural agro service centers should be developed for providing input and equipment to the agricultural sectors.
4. Agricultural marketing should be developed.
5. Emphasis should be given on the development of Agro- based industries for processing selected cash crops which will create the concept of commercialization of agriculture in the sample areas.
6. In order to improve the agricultural sector, the establishment of new and strengthening of existing micro credit mechanism and micro finance institutions should be undertaken.

**MAJOR FINDINGS OF THE STUDY :**

The major findings of the study are summarized as follows:

1. The economy of Assam is predominantly agrarian and agriculture is the prime occupation of majority of people of Assam and sample area of Bajali dev. Block.
2. Women farmers constitute the major section of the rural people in Assam. They are numerically very large, but their economic condition is very poor and they belong to the weaker section of the rural economy.
3. The study reveals that majority of rural women are economically dependence, socially neglected and political ignorance for which they can't reach their due place in the society.
4. Generally social status of rural women is determined on the basis of education, occupation, social customs and level of earnings. From this point of view social status of rural women are very low in the rural society.
5. It has been found that in the sample block Bajali, the women farmers are facing of problems to get institutional credit.

**CONCLUSION :**

In the above analysis, it is seen that the condition of women farmers in relation to education, economic condition, community participation, and social involvement is very low. There is need of govt. support for the empowerment of rural women and education for women should be provided on the priority basis. It has been observed that high proportion of rural women is engaged in agricultural sector and allied activities. In short, all the hard works are done by the women workers. However, the contribution of women workers is grossly underestimated in measuring their role in the process of economic development.

**REFERENCES :**

1. "Anweshan", An annual research journal of ACTA, Barpeta Zone, Vol- I, (2012-13).
2. "Yojana", A journal published by the Ministry of Rural Development, February 2008.
3. ACTA Journal, Vol- XXXV, (2011-12)
4. Govt. of Assam (2006-07), - Economic Survey, Assam, Directorate of Economic & Statistics, Guwahaty, Assam.
5. Prasad, C. & Singh, R. P. (2003), "Farm Women: A Precious Resource", Published in Women in Agriculture by R.K. Punia, Northern Book Center, New Delhi.
6. Sharma, Usha (2006); "Female Labour in India", Mittal Publication, New Delhi.
7. Shoba, A.(1999); "Does Land Ownership Make A Difference : Women's Role in Agriculture in Kerela, India", Oxfarm Publishing, Oxford.
8. Usha Tuteja, (2000); "Contribution of Female Agricultural Workers in Family Income and Their Status in Hariyana", Indian Journal of Agriculture Economics, Vol.- 55
9. Wasnik, K. P. (2006); "Women in Agriculture", Kalpaz Publication, Delhi.

\*\*\*\*\*