

## 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.

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