FINDINGS, SUGGESTIONS AND EPILOGUE

7.1 : Findings from Macro Analysis
7.2 : Findings from the Field Survey
7.3 : Suggestions
7.4 : Epilogue
The data collected for the study are organised and analysed in the light of the objectives of the study. The summary of the findings are presented as follows:

7.1 FINDINGS FROM MACRO ANALYSIS

i) Land holdings: As per the statistics of 1999-2000, net sown area of the region was 123004 hectares, which constituted 32.49 per cent of the total reporting area of the district. The average size of operational holdings in the district was 0.25 hectares (Agriculture Status Plan, 2002-03, Office of the DAO, Silchar), which was lower than the average of 1.17 hectares (1995-96) for the state of Assam as a whole.

ii) Share of agriculture in the District Domestic Product (DDP): Agriculture contributes the largest share of DDP in Cachar district. During 1991, it was 51 per cent and during 2000-01, it was 47 per cent (P) at current prices.

iii) Comparative yield of rice in Cachar District: The comparison of yield of rice in the district of Cachar with that of Assam as a whole, shows that Cachar district’s yield per hectare has been above the yield of per Ha in Assam during the period 1990-91 to 2003-04. (Table 2.21)
iv] **Structural rigidity of the agricultural sector:** The structure of agriculture itself is the cause for not being able to establish itself as a lead sector. Agriculture does have linkages with other sectors of the economy. But the poor adoption of technology in most of the villages of Cachar results in labour-intensive production technique. Capital equipment, such as wooden plough and hoes are being produced locally by small artisans. Insufficient linkages are at the root of agriculture's failure to encourage the growth of industries that could service it. At the same time reduced profitability in the farm sector has enhanced the number of low skilled service activities in the service sector.

v] **Low Level of Credit-absorption capacity in the district:** Lack of infrastructural facilities, which are a hurdle in the way of augmenting credit facilities, is very much conspicuous in the district. Infrastructural support in the form of forward and backward linkages for agricultural activities is not well developed. National policies for lending proved to be unrealistic in view of poor infrastructure. Consequently, the lent money gets diverted to non-agricultural / non-productive uses. Indebtedness of cultivators is ever increasing.

vi] **Lack of Irrigation facilities:** The farmers of Cachar district suffer from a serious insufficiency of irrigation facilities. Actual total area irrigated by different sources of irrigation is only 0.31 per cent of total cultivation area under 19 AEO circle of Cachar during 2002-03.

vii] **Low C.D. Ratio:** There has been a steady fall in the Credit-Deposit (C.D.) Ratio of the bank branches in Cachar district compared to All India Levels. The C.D. ratio in Cachar Dist. was 39.4 per cent during 1990-91 as against 69.2 per cent in the national level, it fell to 26.5 per cent during 2003-04 in Cachar, as against 58.7 per cent by
the Public Sector Banks (PSBs) in the national level. Thus, commercial banks' branches in Cachar District could not attain the national target of 60 per cent C.D. ratio over the study period which indicates lower deployment of funds by Commercial Banks in the District.

Co-efficient of time variable indicates that deposits, advances and agricultural advances of Commercial banks in the district are increasing over the period 1990-91. From the trend lines we can conclude that CD Ratio is not dependent on time.

viii] **Lopsided coverage under priority sector advances:** Priority Sector Advances of Commercial Banks in the district was 56.6 per cent during 1990-91. It formed 45.5 per cent of Net Bank Credit (NBC) at the end of March 2004. In this regard the RBI norm is 40 per cent of NBC. Therefore, it can be said that in the districts of Cachar, Commercial Banks have performed well in terms of meeting the target for priority sector lending.

However, there are shortfalls under sub targets set at 18 per cent of NBC for agriculture advances of Commercial Banks in the district of Cachar. Over the 14 years period from 1990-91 to 2003-04 under present study the percentage of direct agricultural lending was averaged at 6.3 per cent which has been well below the target.

ix] **Poor coverage of lending to weaker section:** With regard to weaker section lending, advances by commercial banks amounted to 22.7 per cent during 1990-91 but fell to 5.8 per cent in 2003-04. Marginal farmers and small farmers constitute the major portion of weaker section, but despite repeated efforts to increase the credit flow into this section, the shortfall is significant in case of Commercial Banks.
xi] Non-fulfillment of targets under agriculture and allied: The Commercial Banks could not achieve the targets set in ACPs under "Agriculture and Allied" even for a single year during 1990-91 to 2003-04. The share of credit flow to agriculture sector (including crop loan) was 17.8 per cent, 14.5 per cent and 12.9 per cent during 2001-02, 2002-03 and 2003-04 respectively, which indicates concentration of financing on other priority sector activities.

xi] Poor credit delivery by major three banks in Cachar: It is significant that during the study period i.e. from 1990-91 to 2003-04, the major banks namely, the UBI and SBI failed to attain the 18 per cent target set for agriculture. Interestingly, the CGB, which had a tradition of agricultural lendings, had attained a decent share by the early 1990s, but thereafter has recorded a steady decline in this ratio. Commercial Banks have shifted their attention to the 'services sectors'.

xii) Faulty lending policy of commercial banks: Induced lending for target fulfilling under earlier government-sponsored schemes has resulted in the lower recovery of loans. At the same time banks’ policy of writing-off is counter effective towards loanees's sincerity in the proper utilisation of banks money.

xiii] Contradiction in policy perspectives: Closer examination of the functioning of banks in rural Cachar reveals that application of Prudential Norms to the banking sector has made the bankers cautious and the entire focus of banking has shifted to reduce the Non-Performing Assets, which are high for the Commercial Banks in Cachar.

xiv) Poor recovery of loan: For financial viability and sustainability of credit operations, the recovery performance would have to be
considerably higher-around 90 p.c. as emphasised by recent studies sponsored by NABARD (2000-01). As against this, poor agricultural recovery at 38 per cent by the Commercial banks (including Cachar Gramin Bank), during 2003-04, poses a basic threat to the viability of bank operations in rural areas. Practically, the poor recovery of loan in the District seems to have virtually choked the recycling of funds.

xv) **Lack of Effective Supervision:** Virtually, non-existent or ineffective supervision gives rise to many malpractices, culminating in overdues. When a large number of small accounts are to be handled by the limited field staff, the quality of lending and supervision of credit are generally the first casualty. This handicaps the bankers in the Cachar district in case of supervision of subsidized lending during 1980’s and 1990’s, as reported by almost all the rural branches visited during survey period (2003-04).

xvi) **Slow and dilatory legal procedure for recovery:** This is one of the major handicaps in the quick recovery of dues by the banks in the district.

xvii) **Low coverage of agricultural credit:** The per capita extension of agricultural credit in Cachar is found to be very low which is at Rs. 27.09 during 2003-04. In Assam credit per capita (Agriculture and Allied) was Rs. 74 during 2001-02 as per NABARD (2002-03). Even, credit per bigha of Net rice area in the district was Rs. 17.75 in 2003-04 which is far below the limit of Rs. 2020/- per bigha (for doing Sali during 2003-04) set by District Level Technical Committee (Cachar).

xviii) **Exclusion problem:** District of Cachar may be called a peasant economy having 54.5 per cent small and marginal farmers and a smaller
size of operational holdings of 0.25 Ha (Agricultural Status Paper 2002-03) Landless farmers constitute another 38.5 per cent of total farm families. But only 18.7 per cent of marginal farmers got benefit of KCC schemes during 2003-04 which does not reflect their shares among the beneficiaries. A peculiar thing is that most indigent farmers are rarely provided with the KCC while those who get the KCC do complain that the amount provided is not at all adequate to their actual need. A vast credit gap to the tune of 99 per cent exists in the district in terms of 'potential demand' for the production loan.

xix) Large scale corruption: Large scale corruption in the institutional and bureaucratic levels, in earlier government sponsored lending programmes in rural Cachar, has rendered the system of agricultural financing by commercial banks unviable and ineffective and resulted to a large extent in reduction of productivity, lower investment, fiscal drain and inefficiency.

7.2 FINDINGS FROM THE FIELD SURVEY

• It is found that ‘Sail’ paddy is the main mono-crop grown by 95 per cent cultivators. Urgency of cash money in the hands of the farmers compels a large number of farmers for ‘distress selling’ of paddy, which is not recognised at the Government level.

• Vegetables are grown on a commercial basis by 51 per cent farmers of Bagpur, Dhamalia, under Sonai AEO Circle. One cold storage is the long cherished demand of Sonai area but yet to be fulfilled. It is found that the vegetable growers are not getting proper price for their produce since they all grow the same kind of vegetables in the same period due to lack of proper crop planning.
Among the sample farmers, 13.2 per cent of farm households are found to be displaced persons from erstwhile East Pakistan who were settled in waste cultivable land and though they were in possession of the land since 1964, they are not given the status of land holders, and revenue is collected as per Touzibahir' account. Though each agricultural family was allotted six bighas of land for homestead and cultivation and enjoyed the voting right, yet in terms of permanent holding rights they are not entitled to get the loan facility under KCC scheme. Refugees from erstwhile East Pakistan have introduced the cultivation of ‘boro’ paddy and ‘ground nut’ which they carry out extensively, but have failed to make it commercially viable due to lack of bank credit for various problems not beyond solution.

To increase the productivity of a particular land the following measures as suggested by agricultural department should be taken.

i) Liming in every three years - 65 kgs slaked lime per bigha.

ii) Use of balanced fertilizer.

iii) Use of sufficient compost materials against every crop (1.33 MT per hectare).

But not a single farmers was found to have observed even one of the three measures ostensibly due to lack of awareness and necessary finance.

From among the four major stages of production of paddy, viz., threshing, transport, processing and storage, maximum losses are due to defective storage system. In the district, between 3 to 4 kg. loss of paddy per quintal have been experienced by 90 per cent farmers by attack of rodents, and pests while they store paddy in ‘UGAR’.
• One of the important findings of the field survey, is that, over a large area of rural Cachar, subsistence farming is in practice. A large proportion of the paddy produced does not come to the market. It is consumed directly by the growers as well as by the money lenders who receive paddy against money lent or receive paddy against paddy.

• It is found that in spite of prevalence of monetary economy in present day, barter economy still operates in the interior villages of the study area which speaks about the backwardness of these villages. The consumption goods like onion, dry fish, vegetables, pulses etc. are exchanged against paddy. Generally, the rate of exchange is 2 kg paddy = 250 gm. onion or 100 gm. dry fish.

Here in these villages, ‘for these farmers paddy plays the role which money plays for non-agricultural producers and consumers.’

• 60 Per cent farmers produce mainly for home consumption. Only a small marketable surplus is left. As per discussion with the farmers, it was found that the absolute volume of profit per bigha is highest for tomato and potato. But various factors restrain them from undertaking production of potato on a big way. This confirms the ‘Non-maximising Behaviour of Farmers’ as observed by Rudra (1992) in the context of India.

• Over a large part of rural Cachar, there is only one season farming. There is a fairly regular transfer of labour on a seasonal basis from the farm to the non-farm sector. In these areas, the income/wage difference between the farm and non-farm sectors induces some labourer to look for transfer from the farm sector. In the opinion of 60 per cent of sample farmers, today agriculture is not at all a profitable
activity, it is just a way of living. The financial conditions of these cultivators forced them to seek employment else where near the locality to earn additional employment during the off season.

- **28 per cent sample farmers are not doing HYV seeds** due to lack of finance. Limited access to credit leads to technological stagnation which further leads to limited access to credit. Thus a vicious cycle of low productivity - low income - low credit develops resulting in the indebtedness of the cultivators to the private money lenders.

- Regarding rate of interest, it was found that the **demand for agricultural loan is interest inelastic in Cachar**. The farmers are rather interested in right dose of loan in right time and in right amount.

- From the field survey it was found that **out of 280 farmers (the study area) only 17.14 per cent got KCC**. Farmers having less than 5 bighas of land each, rarely get the chance to be sponsored by Agriculture Department for crop loan in the district.

- To test the hypothesis that low level of availability of agricultural credit from commercial banks in Cachar districts have significantly contributed to poor performance of agricultural sector, $\chi^2$ test is used. It is revealed from the result of the $\chi^2$ analysis, that an increase in the growth of bank credit to the economy of Cachar would induce the growth of production (paddy) for the district.

- In the surveyed villages, **the transaction cost as per the borrowing farmers accounted for 9.6 per cent of the total credit which is too high**. Out of 48 KCC holders 30 beneficiaries (62.5 per cent) told that in practice the transaction cost was even much higher than the reported amount if 'consideration money' of Rs. 500/-
per account is included in the cost estimated. The high transaction cost deters 12 per cent farmers to continue the recycling of fund.

- KCC holders automatically come under the crop insurance scheme “The Rashtriya Krishi Bima Yojana” or National Agricultural Insurance Scheme (NAIS) which provides comprehensive risk insurance against yield losses viz., natural fire and lightning, hailstorm, flood, drought etc. Yet, unfortunately the farmers of Cachar district are totally deprived of insurance facility for crop damage. The district witnesses frequent and widespread occurrence of flood almost every year, resulting large scale damages to property and standing crops. But the farmers of the district are deprived of the benefits of this scheme, due to non-submission of proper statistics regarding yield data by the concerned departments which can reflect their losses (proper data of the notified area) to the insurance company. This factor also acts as a disincentive to many farmers for taking KCC for production purposes.

- Rejection of loan applications without any genuine ground.

About 24 per cent of the prospective borrowers alleged that the banks rejected their loan application without sufficient and genuine reasons. This finding is in consonance with the observation made by the General Manager, RBI in the SLBC meeting 2003.

- One of the major stumbling blocks in extending credit to agriculture and allied activities is that of mounting overdues. The present study finds that 55 per cent of total borrowers are defaulters among 154 borrowers out of 280 sample farmers. About 47 per cent of them are ‘Wilful defaulters’. The long term sustainability of the rural banking system is in jeopardy with the existing level of recovery.
• Unsound lending policies and procedures / delay in credit disposal: Timely receipt and utilisation of credit is a significant variable in assessing the benefits of credit. As per the guidelines issued by the RBI, all loan applications up to a credit limit of Rs. 25,000/- should be disposed off within a fortnight and those applications which are for above Rs. 25,000/- should be disposed off within 8-9 weeks. However, in practice, 95.8 per cent borrowers reported that the scrutiny of their loan application and disbursement of sanctioned amount of less than Rs. 25,000/- took 9 to 12 weeks and it was 12 weeks for 4.2 per cent borrowers. As a result, delay in disbursement caused delay in implementation of the project and causes 18.8 per cent to turn into 'non-wilful' defaulter.

• 51 per cent of sample farmers are landless and marginal farmers who are not getting the bank loan on account of small size of their land holding. One important findings regarding agricultural productivity in the Cachar district is that it suffers from two paradoxes. On one hand productivity per bigha is high on the small holdings. As per the interviewed farmers in Dhamalia, Kachudaram, Narsingpur (Sonai), Joypur (Lakhipur) and even in Khelma who adopt HYV-fertilizer technology get 600 to 900 kg per bigha in a normal year. On the otherhand, these small holdings are not viable units in terms of the total income accruing to the farm households as a result of small amount of marketable surplus. Most of the farmers hold the view that today agriculture is not at all profitable business but they have no other alternative than to do it. But for incurring other expenditures they must have some other off-farm activities during lean season.

• Negligence of marginal farmers and landless farmers by the
The landless (0.5 bigha - 3 bigha) and marginal farmers are being neglected both by the sponsoring agency and lending agency. It has been revealed by field survey that during 2003-04 only 19 per cent farmers in these groups were financed under KCC scheme in the district due to the risk of perceived default which may not come true.

- Large scale corruption in the implementation process of subsidised credit programme like IRDP etc. by the departments concerned restricts the beneficial impact of credit programme as has been alleged by the beneficiaries.

- 48 per cent of sample farmers are found to be indebted to various non-institutional sources of finance despite proliferation of branches of PSBs in Cachar. Poor farmers often lack accessibility to institutional sources of finance, and have to obtain loans at various rates of interest from informal credit market.

- The very poor marginal farmers do not dare take loan even from the money-lender. About 10 per cent farmers reported that their income from farming is clear manifestation of their ‘incapacity’ to service the loan charge of private debt.

- In the district an interdependent relationship between the landlord and the sharecropper or between the other money lenders and debtors work for interlinkage of factor and product market. 29.4 per cent of sample farmers were found to be affected adversely by factor product market interlinkage.

- The informal money lenders as found in this study are categorised as under –
A) Registered – Professional

(B) Unregistered – Non-professional

(i) Clandestine (ii) Apparent and (iii) Occasional

Number of borrowers who receives loans from different sources during survey period are as follows:

i) Who receives loan in kind and repays in kind – 30%

ii) Who receives loan in cash and repays in cash – 29.4%

iii) Who receives loan in cash and repays in kind – 29.4%

iv) Who receives loan against mortgage of lands – 14.7%

v) Who receives loan in cash and repays in terms of labour – 8.8%

The sources of credit are not always mutually exclusive.

• Generally, there is a thin line of distinction between consumption and production credit. For small loans up to Rs. 2000, no collateral security is needed. But for big loans ranging from Rs. 3000 and above, some collateral securities are demanded, it may be silver, gold or valuable utensils made of brass metal. Hand notes are required in some cases. There are various methods of mortgage such as Ekramama, Swaranlipi, Izara, Kotkewala etc.

• The most predominant source of private credit in rural Cachar is rich landlords / agriculturalists, followed by servicemen which is gaining importance in some of the villages. Kabuliwalas are losing popularities now-a-days.

• There are various modes of repayment :

  i) Crop to crop (ii) Money to money (iii) Money to crop (iv) Money to Labour
A startling revelation made during the study is that the ancient system of land mortgage (bandhaka), as depicted in Kautilya’s Arthashastra, has managed to be in vogue as late as 21st century in Cachar. The traditional system of pledge as prevailed in the time of ‘Kautilya’ is still evident in some villages of Cachar with the nomenclature of ‘Ekhrarnama’.

To find out the relationship between bank credit and private debt, sub-division wise, Z-test is done. The values of Z come out to be 7.88 for Silchar sub-division, 4.32 for Sonai sub-division and 4.88 for Lakhipur sub-division, which are greater than the table value of Z at 5 per cent level of significance. The values tell that the number of private loaners are more in all the three sub-divisions compare to the KCC holders.

It is inferred that expansion of the commercial banking couldn’t lessen the private debt of the farmers in the Cachar district.

7.3 SUGGESTIONS

The financial sector reforms in 1991 could not bring the desired improvement in the agricultural lending scenario. It is observed that the sub-targets of 18 per cent lending to agriculture, 10 per cent to weaker section still remained unfulfilled by the nationalized banks. It is most ironical that when funds are available in plenty, and there is also an urgent need to stimulate growth in agriculture at a time when best technologies are available, Indian banks are found wanting (Patel, 2000). More particularly commercial banks in the district of Cachar are not properly effective in implementation of projects.

For evolving strategies to tone up effective involvement of banks
for lending vis-a-vis agricultural development in view of above scenario the following steps are considered necessary.

**Need for Integrated Approach**: Integration of district agriculture with Indian markets would be necessary to keep pace with the present era of globalization, complemented by need based domestic markets for agricultural commodities. This calls for adoption of measures which are instrumental in encouraging bank finance in agricultural sector and thus boosting up agricultural productivity.

**Creation of productive efficiency coupled with marketing efficiency**: Productive efficiency coupled with excellent marketing efficiency in order to high-up the liquidity ability of the farmers should be a replacement of present security stipulation of banks in order to make the finance readily available to them. The crop loan scheme is essentially a land based scheme which sidelines many innovative / progressive farmers who do not possess enough land, but have ability to give shape to allied agricultural projects. So, to get over this difficulty the banks should give stress on a farmer’s innovativeness and his adaptability to new agricultural techniques rather than to the size of his holding. Projects on seed production, poultry farming, boring of wells, cultivation of pineapple and marketing of pineapple, land development activities, piggery could be formulated and new entrepreneurs should be encouraged to undertake them through proper training, awareness programmes and through motivation. The district is having added advantages particularly in pig farming due to its location in relation to Mizoram, Meghalaya and Manipur where demand for pork is very high. Dairying is an important source of subsidiary income to agricultural labourers and small marginal farmers. The farmers should be motivated
through training and awareness programmes to undertake activities in these lines. Extension workers should help farmers estimate the cost of things they need and get the required bank finance.

**Creation of irrigation facilities:** The farmers in the district and their cultivable land remain idle for more than 6 months in a year for lack of water. If irrigation facilities throughout the year is provided to them and seeds, fertilizers etc are provided to them at a subsidised rate at least for three years and their product is procured at support price by government, then their economic condition is bound to improve. For providing better irrigation facilities, it is felt that instead of construction of multi purpose Barak Dam at Tipaimukh, some small dams, if constructed in tributaries of Barak like Jiri river, Chiri river, Madhura, Jatinga, Rukni, Sonai, these may provide better irrigation facilities and equitable distribution of water throughout Cachar district and thus it will help cultivators to produce three crops in a year.

**Contract farming:** The commercialisation concept of agriculture and allied activities in the district of Cachar needs attitudinal change of the farmers. A combined team of private sectors and public sectors forming into a consortium comprising of banks, traders, government expertise, insurance groups, specialist in improved technology and equipments and storage company may come forward to eradicate the deficiencies by providing agri-inputs and know-how, timely and need based finance and buy back arrangement. In short, under a well protected arrangement by a group of agencies to provide improved knowledge base, the clutches of complacency of the cultivators will be negated and it will boost up a sense of development in the mind of the cultivators, when they will observe that their hard toil is giving them
good returns. An example may be cited of the contract farming which is prevalent in Madhya Pradesh where Hindustan Lever Limited (HLL), Rallis and ICICI Banks working together have produced a marvelous result for the benefit of the cultivators and the banks more specifically in recovery of loans. Under this structure farmers benefit through assured markets for their produce in addition to timely, adequate and quickly input supply including free technical know how. HLL benefits through supply chain efficiency: where the rallies and ICICI benefit through assured clientele for the products and services.

**MOTIVATING THE FARMERS**

Along with required financial assistance for having access to improved qualities of seeds, fertilizers, increased use of tools, adequate irrigation facilities, another factor needed mostly is to motivate the farmers to turn from subsistence farming to economic and competitive production. The motivation of farmers is important from the initiation of the production process. 23 per cent of the sample farmers in the study area have a pessimistic outlook regarding the way of life they lead and there is nothing more powerful than individual incentives to break this. The motivation of the farmer is important at all levels of production i.e. at the time of preparing of land, sowing the seeds etc. This factor largely depends on the extension agencies of the state government. Local NGOs which are engaged in such activities should step forward to take active part in this task. Creations of awareness among the borrowers about various kinds of banking norms, procedures etc. is also important.
INTRODUCTION OF TWO-WAY SYSTEM

Introduction of two way system for collecting statistics of agricultural performance *vis-a-vis* stipulated percentage of recovery of loans may improve the performance of the banks. On the one side, government officials may be asked for submitting figures to the respective Deputy Commissioners who in turn are to submit the same on verification to the secretary (Agriculture). On the other side, similar figures are to be sent by the banks to the controlling office.

At quarterly interval, controlling official of the banks and peer level of government officials should jointly review the performance and recovery percentage, to draw strategies for corrective steps for implementation of schemes, follow-up, joint recovery drive etc. based on identification of deficient areas, either in government side or banks side.

Thus, a joint drive can mitigate the problem of overdue and increase the outreach of the banks with the farmers significantly.

Responsibilities for correcting the process should be entrusted to the Deputy Commissioner or Secretary of the Agricultural Department who should take appropriate actions on the defaulting officials at quarterly interval.

EVOLUTION OF APPROPRIATE CREDIT DELIVERY SYSTEM

The main component of the financial sector reform should be the evolution of appropriate credit delivery system which enable the banks to improve the reach of small, marginal and landless borrowers to credit. And this should be in the line with Grameen Bank of Bangladesh. As a pioneer in the growing field of “micro lending”,

295
Grameen has shown that the rural poor, even in a country virtually synonymous with deprivation, can make productive use of credit and to direct credit to the bottom line cultivator who mostly need it, the services of Non-Governmental Organisations (NGO), the well-off in intermediaries should be utilized and SHGs to be linked to credit institutions. Group lending uses peer pressure to monitor and enforce contracts and helps screen good borrowers from bed ones and thus minimises high risk of loan default due to adverse selection of borrowers.

Dr. Md. Yunus, a Professor of Economics, working in Bangladesh, is a famous person for his untiring crusade for upliftment of the indigent villagers there. His method of helping the poor and needy villagers of different professions stress on micro cooperative societies constituted with 5/7 villagers. Financial help in the shape of hard cash or through supply of agricultural implements or other daily necessities are provided to a group of 2/3 persons of the said micro society unitedly. The regular functioning of the field staff and officers of the agricultural department is required. The different schemes in this regard can be processed and the commercial banking institutions should be brought into confidence, so that, such commercial banks may issue loans to group of agriculturists, those who execute joint-bonds for utilisation and repayments of the loans with interest to the Banks concerned.

CREATING AWARENESS ON BENEFITS OF REPAYMENT

Awareness programmes should be undertaken on a large scale by the banks in the villages to sensitize the farmers and the defaulters in particular about the benefits of repaying loan in time, and also the harsh consequences, such as detention in the civil prison, that may follow a default (ECRC, 2001) and the time of the programmes which
should be fixed at the convenience of the farmers. Large number of farmers alleged that during the programme schedule, they remain busy with harvesting. Many farmers complained that they even did not know the timing of the programmes and thus, many motivation programmes turn into a failure. For effective management of the programmes, a concerted effort on the part of the Bankers, Agriculture officials and panchayats are needed. Farmer’s participation on a large scale should be ensured for having the positive impact of these programmes on loan recovery. And if necessary, door-to-door campaigning of the programmes should be arranged by the concerned departments.

**APPOINTING PANCHAYATS AS RECOVERY AGENTS**

District authorities should take such steps so as to involve the panchayats in the district, so that, they should inculcate a sense of responsibility to repay borrowed funds among the populace. Debt burden is a social stigma for many cultivators. They want to get rid of debts. So the panchayats should discuss the issues at Gram Sabha (assemblies of the entire panchayat). It is not always possible for bank employees to go to far-flung areas and convince people to pay up. “What a panchayat pradhan says will sound more convincing to them.” (Bank officials, UBI, Telegraph, 18/6/2003). The UBI has received a good response from the Nadia district of West Bengal by employing panchayats as recovery agents and thus shedding off the burden of Gross NPA of Rs. 959 crore as on March 31, 2003 to some extent (Ibid). And the bank would pay the panchayats 5 per cent of the assets dug out. Similar recovery scheme may be introduced in all districts of Assam, especially in the district of Cachar. In some states, co-operatives banks pay 0.5 to 1 per cent of the amount recovered as incentive / special
allowance to their employees. This special effort may be followed by all banks to improve the recovery condition.

**ESTABLISHMENT OF COLD STORAGES**

Establishment of post harvest management facilities, like cold storages are the needs of the day in entire Cachar district. At least 12 numbers of cold storages are needed in Cachar (Agriculture Department, Silchar). This will help to increase the shelf life and thus help to avoid the wastage of perishable products that will ultimately help in increasing the returns for each and everyone in the value chain. 'Inadequate infrastructural facilities and climate controlled management lead to demand-supply mismatch.' (Behara 2002) The harvest season of vegetables like cauliflower, cabbage, tomato etc. being very short, arrivals of large produce in this short period creates glut in the market, resulting in low returns to the producers in addition to enormous wastage of nearly 30-40 per cent of the produce. This being a very alarming situation, this enormous loss needs to be minimised. The banks should provide loan at low interest to create the required infrastructure in the main producing areas.

**FINANCIAL ASSISTANCE FOR OTHER AGRICULTURAL PRODUCTS**

The poor and needy refugees from erstwhile East Pakistan were given allotment of land some 35-40 years ago over a large area of vacant waste land and hilly tracks. It is clear, these people are not to be treated as 'floating population'. Since the days of allotment these poor people have been continuously residing there and as such their names are also entered in the electoral roll as per rules. So they are also entitled to avail of the facilities provided by the Commercial Banks working
nearby without questioning the admissibility of the cases, because of their non-possession of pattas. They are allottees as per government orders.

The farmers, those who are in practice of cultivation other agricultural products may be in a position to export their products outside the district of Cachar to earn some additional income besides their usual cultivation of paddy. In the district of Cachar it is seen during the field survey, a large number of cultivators (especially those who came from erstwhile East Pakistan) are engaged in cultivation of groundnut. In fact the production of 'Boro' paddy and ground nuts as introduced by these farmers occupy a notable place in the agricultural production in the district of Cachar. But, market of groundnut is not much strong. But, if these farmers are provided with adequate bank finance to increase the production then they will be in a position to arrange marketing of their produce within and outside the district more profitably to fetch higher prices for their product.

**PROVISION OF BANK LOAN TO COVER UP DISGUISED UNEMPLOYMENT SITUATION OF FARMERS**

All over the district of Cachar, the cultivators are producing different components of plough, uri/ura (basket made of cane) etc. to cover up their disguised unemployment situation, and this is peculiar to Cachar district. They can be brought under bankable scheme under the effective supervision of extension agencies.

The farmers can undertake some agro-based sub-system of agriculture. The farmers can undertake production of earthen glass and pot for consumption of tea, water etc. It can be done on a commercial scale, which would provide subsidiary employment
opportunities to the small, marginal and even agricultural wage earners.

Banks can also formulate bankable scheme to cover this potential area within lending parameters.

**PARTNERSHIP ARRANGEMENTS WITH MONEY LENDERS FOR RECOVERY OF LOANS**

There is problem of identifying professional money-lenders, since many of them invariably combined money lending with agricultural activities. It is interesting to recall that the Central Banking Enquiry Committee (1929) (Chandavarkar, 1984) suggested that partnership arrangements should be developed along the lines of the ‘kommandit’ practice in Germany, whereby a bank, instead of opening a new branch, became the financial partner of a local money lender. This would have combined advantages of local knowledge and unlimited liability of the money lender without incurring heavy overhead charges on a new branch.’ Even money lenders’ help can be considered for recovery of loan in villages by planning a suitable time-bound programme.

**ADOPTION OF PILOT PROJECT IN THE DISTRICT FOR AUGMENTING INTENSIVE SUPERVISION OF LOAN RECOVERY**

On the whole it has been clear that one important contributory factor for high overdue is due to ineffective supervision, rather supervision is virtually non-existent. This calls for an urgent redressal of the problem.

NABARD had introduced in March 1984, a pilot project for strengthening the credit delivery system (initially in 3 districts and subsequently extended to 12 more districts in a phased manner) envisaging intensive supervision by increasing the strength of
supervision staff, training of field staff, structuring of supervision activities and providing vehicles to improve mobility of staff. This pilot project came to an end on 31 December 1990. An evaluation study of the impact of the project in selected districts showed that the project contributed to increases in advances under agriculture, allied activities in advances under agriculture, allied activities and non-farm sector and therefore higher levels of Credit-Deposit (CD) ratio were observed in the pilot project districts. Improvement in the recovery of not only the normal dues, but also the chronic overdues to some extent, was influenced by the Project.

Considering the concern of the banks to implement policies, oriented towards achieving higher agricultural production and rapid rural development in the district of Cachar, the present situation demands the adoption of such type of pilot project in the district in a phased manner.

**UTILISATION OF FUND UNDER RIDF SHOULD BE AREA SPECIFIC**

RIDF can play a crucial role in the removal of inter-regional/rural/urban inter-state disparities. Unfortunately, the utilisation level under RIDF has been far from satisfactory. (Economic Survey, 2001-01, GOI) RIDF can assume critical importance in the realisation of the objectives envisaged under watershed development, construction of rural markets yards, rural roads and bridges for improving rural connectivity etc. especially in the district and necessary budgetary support should be sanctioned for these purposes earmarking the priority areas in the deprived regions like Cachar district. Studies on the impact of rural infrastructure on growth in agricultural production have shown that with every one point increase in the index of rural infrastructure, the
average yield of foodgrains is likely to increase by about 47 kg with a proportionate increase in the output value (Patel, 2000). So the failure of the commercial banks to achieve the stipulated agricultural lending targets of 18 per cent of net bank credit, the unutilised amount thus deposited in RIDF, should be utilised in the areas for which the amount has been earmarked for improving infrastructure facilities that will have a direct bearing on agricultural productivity.

OPENING UP OF GRIEVANCE REDRESSAL CELL

The banks should provide opportunity to their clientele to meet the designated ‘grievance redressal officer’ in all of the bank branches without prior appointment in fixed working day and they should provide information to the aggrieved customers about the availability of the external grievance redressal machinery in the form of ombudsman.

The banks should strive to deal with their clientele in an open and transparent manner. They also should explain the rationale behind banks’ decisions regarding loan applications, consistent with requirements relating to business principles.

CREATION OF A CRITICAL MASS

Low agricultural productivity is mostly an outcome owing to lack of awareness which stems out mainly from knowledge gap. Since sustainable development of agriculture is knowledge-intensive, it will need improvement in extension services and farmer’s education. Public research and related policy in this sector must aim to strengthen the system of education in order to improve poor people’s access to knowledge. This knowledge could enable them to do away with their ‘incapabilities’ to a significant extent. Partnership with local institutions,
specifically with 'Gram Panchayat', would help overcome the social and economic constraints in the adoption of the new technologies. The training programme regarding modern methods of cultivation with proper end use of bank loan should be arranged so as to create a 'critical mass' who can take a lead role in the rural areas for spreading of modern technologies and creating an atmosphere of repayment of loans.

UPGRADING THE PROFESSIONAL SKILL AMONG THE MANAGEMENT IN BANKS

It is disheartening to note that while Indonesia, Malaysia, Philippines and Bangladesh have made significant stride in bringing small and poor borrowers under the umbrella of SHGs and providing the much needed financial assistance, thereby having tangible impact on improving the standard of living of the financial borrowers, the coverage of SHGs by the banks in the state of Assam in general and in the district of Cachar in particular is unsatisfactory. Field study reveals that banks branches are reluctant to finance SHGs without direct involvement of NGOs in the perceived risk of default.

There is need for upgrading the professional skill among the senior management in banks. Salient features of the systems prevalent in other countries in the world may be incorporated as suggested by the Estimated Committee (2000-01, p. 61) in the training system in India and updated from time to time and tuned to the issues confronting the Banking sector in India to meet the emerging challenges on the basis of the experience and knowledge of these officers.

FORMATION OF ACTIVE FIELD MANAGEMENT COMMITTEE

As per discussion with the managerial staff of the banking
institutions, it is found that there is a problem of fulfilling the target of lending in Cachar District, the Loan Application for 'big loans' like power tiller etc. are very few. Inadequate farm mechanization activities are responsible for this. As per the data available, there are about 87 tractors and 238 power tillers in the district. Though the average land holding is uneconomical, (68 per cent holdings is less than two hectare) the formation of Farm management committee in the district offers scope for financing tractors, power tillers etc.

COMPULSORY GROUP TRAINING (CGT)

Since most of the cultivators have little education, basic training is required for all potential members to assure a thorough understanding of the rules and regulations and procedures of the credit system. Moreover, landless peasants must made access to credit which is vital for them to start their own enterprises, however small these may be. So group formation by potential borrowers from the similar socio-economic standing would be instrumental to overcome demand constraint and getting the required finance to launch the micro projects undertaken by borrowers.

According to a few officials of the rural bank branches of Cachar district, the default rate under direct lending to SHGs is very high. One reason for this is that the beneficiaries have not gained much by way of technological improvements. Thus, poor adoption of new technology is due to absence of any skilled training to borrowers under the micro credit scheme. The 'survival skill' of the poor which 'keep them alive even when they are poor' (Md. Yunus 1999) failed to impart them the skill which is crucial for undertaking new investments and adopting new technology. Therefore, extension of target of KCC and or
other credit facilities to farmers should be undertaken with a training programme for imparting require skill and technology for sustained productivity increase along with income increase of the beneficiaries.

In addition to the above suggestions, it deserves mention the following useful suggestions as recorded by the Expert Committee on Rural Credit (ECRC 2001) headed by Prof. V.S. Vyas.

- Continued involvement of commercial banks in rural lending.

- Reduction of interest rates on RIDF deposits to deter banks from substituting agricultural advances with RIDF deposits.

- Make SAMIS returns statutory.

- Ensure credit flow to disadvantaged sections and areas - amount of shortfall in lending to weaker sections be called in to RIDF.

- Credit for ST and LT for both agriculture and non-farm activities be progressively under KCC.

- Need to improve legal environment both to increase the disbursal of rural credit and achieve better recovery.

- State Government may support the efforts of credit institutions by improving and updating land records, waive stamp duty and registration fees on loan documents, etc.
7.4 EPILOGUE

In the ultimate analysis it can be concluded that both demand and supply constraints are responsible for low credit coverage and hence low productivity in the agricultural sector. The commercial value of agriculture, particularly in Cachar district is quite absent, because it is working under a regime of many negative factors, such as, low production, indifference in quality standards, fragmented land holdings, and the backward technology and poor infrastructure, unreliable credit supply, politicization, attitude of non-payment of loans, the indifference of government officials who are primarily responsible for implementation of schemes as well as their failure in carrying out their entrusted responsibilities for building up ability of farmers for repayment of loan etc. All these factors are producing many conflicting and degenerating factors in the process of credit delivery in the agricultural sector by the commercial banks. It is found that in Cachar district, in particular, the agrarian structures and goals of agricultural lending are highly incongruous. These provide the main conflict zone between the policy perspective and actual working of credit delivery in the State as well as in the district of Cachar. Unless the negative factors are realistically taken care of, agricultural development will remain a dream.

In present scenario of agricultural economy in Cachar district, participation of a properly combined group of care-takers based on local needs may be tried with benevolent as well as commercial attitude for upgradation of the farmers assuring repayment of loans by increasing recycling of loans, where the zeal in the mind of farmers and lenders will be visible.
To conclude, the rural credit problems in the Indian context (applicable equally in the district of Cachar) could be summed up as "Credit well delivered will be well accepted. Credit can be well delivered only by well conceived institutions" (RBI, 1995). A modernized agricultural sector which is not starved of credit may thereby play a vital role in expanding the process of economic reforms.

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