ABSTRACT

Agriculture has attained phenomenal growth since independence and is the backbone or the core sector of the economy. It accounts for a large per cent of the aggregate national income and provides livelihood to a sizeable per cent of the working population. Thus the development of this sector is essential for the growth of the economy and for placing it on a sound footing.

The Green Revolution, has opened up new possibilities for the speedy development of agriculture. There is a growing tendency among the farmers to replace the traditional farming practices with scientific and modern practices, which include the use of improved seeds and intensive use of agricultural inputs. These involve heavy financial investment which the majority of farmers cannot afford from their own savings. Therefore, farmers have to depend on a large extent on borrowed funds which has naturally increased the demand for providing credit to a large number of farmers. Thus, credit assumes great importance in agriculture passing through a transitional stage of transformation from the traditional subsistence type of modern and scientific farming.
Assam is overwhelmingly an agricultural state. Agriculture occupies the most dominant position in the economy of Assam. Nearly 90 per cent of the State's population live in rural areas and a vast majority of them depend on agriculture for their livelihood. The share of agriculture in the State Domestic Product of Assam is around forty per cent. In view of such a crucial position of this sector in the State economy, agriculture programmes have always been assigned high priority in each successive five year plans. However, despite such efforts, the pace of development in this sector over the years has been found to be rather tardy due to continued existence of various impediments. Modernisation of agriculture which is indispensable for achieving increased agricultural production, is still at a very low ebb in Assam. Nevertheless, due to the strategies adopted by the State government for attaining self-sufficiency in foodgrains, of late, a positive indication in the development of this sector is discernible from growing awareness on the part of the State's cultivators for use of improved seeds and manures.

The new technological possibilities thrown open by the recent researchers in agricultural science has proved that the total yield per acre can be boosted up (independent of the size of the farm) by applying the optimum package of farm inputs such as high yielding variety seeds.
fertilisers, pesticides, insecticides under assured irrigated condition. These also indicate that the desired adoption of new technology demand higher and higher capital deployments. Therefore, the response of a farmer to new technology could be visualized as a function of his financial resources.

Supporting this conjecture, majority of the field level investigations indicate that only the group of farmers equipped with better financial resources is able to derive mostly the benefits of new technology. Shortage of finance has been identified as the major constraint in case of marginal and small farmers to shift over to the new methods of cultivation. Therefore, creation of adequate credit facilities, has been identified as the principal solution for all agricultural problems. This need has received timely attention of the policy makers too, the introduction of one agency after another to the agricultural credit over-time is a clear indication of this recognition. Thus, credit plays a crucial role in the modernisation of agriculture. It not only can remove financial constraints but may also provide the means and incentive to adopt new technologies for accelerated agricultural development. Traditionally the role of credit is that of giving a push to the developmental process. It is a lubricant that keeps the wheels of development moving.
The increased importance of capital in making agriculture a powerful engine for growth, has been stated by Schultz as follows: "Once there are investment opportunities and efficient incentives, farmers will turn sand into gold". It is experienced that the technological changes have increased the importance of capital in agriculture. Since the present strategy for development of agriculture consists of intensive method of cultivation, multiple cropping and extension of area under H.Y.Vs, cultivators demand for capital is insatiable.

In a country like India where majority of the farmers have meagre savings, the role of institutional credit to supplement their investment capacity more importantly in modern capital-intensive agriculture cannot be overstressed. With the growing accent on the role of institutional credit as a positive aid to intensified agricultural production, it is of vital interest to ascertain how far the increasing tempo of institutionalization of agricultural credit has actually helped the process of agricultural growth.

The multiple credit requirements of agriculturists could not for obvious reasons be met by any simple institutional agency. Therefore, a multi-agency approach has, been viewed as a better alternative. Recognising this the government has assigned the responsibility of farm
development to three agencies namely co-operatives, commercial banks and regional rural banks forming the three components of the multi-agency approach. Each of these institutions has its own importance in the matter of providing credit to farmers and is presumed to function as a part of a 'system' having a close co-ordination while planning credit provisions. Further, they together are visualized as the instruments for routing out the non-institutional agents specially the agricultural moneylenders from the scene over a period of time. Institutional credit, if well organised can play a dynamic role in the development of agriculture.

The present work is a modest attempt mainly to examine the inadequacy of institutional credit supply for agriculture in Assam which is identified as a relatively unbanked state despite considerable expansion in the network of scheduled Commercial Banks, Co-operative Banks and Regional Rural Banks. All the institutional development, notwithstanding institutional credit is yet to become a vehicle of overall agricultural development of the State. Though it is a Kamrup district study, yet in many cases inter-district and Assam state analyses have been made to test the reasons for inadequate credit supply. Several other important aspects of institutional credit, viz., pattern of distribution, utilisation and repayment of credit
have also been examined. Further, the role of three institutions like co-operatives, commercial banks and regional rural banks has been examined. The study proposes to cover the contribution of institutional agencies like commercial banks and co-operatives in the development of agriculture in Kamrup district of Assam. Agriculture in the study will cover only crop production excluding allied activities like diary, fishery, poultry, pisciculture, horticulture etc. and 'Credit institutions' are restricted only to production and investment credit requirements of cultivators in Kamrup district and their supply by institutional agencies. The reference period of the study is from 1985-86 to 1990-91. The justification of selecting this period is that only data published upto this period is available.

Required data for the study have been taken from reports and periodicals published mainly by Directorate of Agriculture, Government of Assam; Directorate of Economics and Statistics, Government of Assam; U.C.O. Bank, Lead Bank Kamrup District, District Agriculture Office, Kamrup, Guwahati, Lead Bank Cell, Local Head Office, Guwahati, Registrar of Co-operative Societies and The Assam State Cooperative Apex Bank Ltd., Guwahati. The study leads to the conclusion that adoption of new technology in any significant scale for increasing agriculture production cannot be
expected without active support of institutional credit, specially in a backward State like Assam. The quantum in the flow of agricultural finance in the state being very low, the impact generated so far by it on the State's agricultural sector is said to be negligible. It is often cited that one of the reasons for the slow pace of Assam State's march towards modernisation of agriculture is the inadequate availability of agricultural credit. Therefore, credit institutions are required to play a more active role in the State. In view of this, suggestions have been outlined to formulate suitable policies, to achieve the desired objectives in the field of agricultural finance in Assam with special reference to Kamrup district.

The present study is divided into 6 chapters. In the Introduction is presented the importance of the agriculture sector in the Indian economy, the role of credit in the modernisation of agriculture, the economic background of Assam and Kamrup district along with the plan of the study. A review of literature on the related issues of the present study has been presented in Chapter I along with the scope of the study, Aims or objectives of the study, data base and methodology and hypotheses. Chapter II is on the profile of Kamrup district agriculture which gives a brief outline of the agricultural situation of the district. The objective is to indicate how far technological progress
has been made in the district since such progress is associated with the credit requirements for agriculture. Chapter III reviews the major developments in the institutional credit structure of the state from 1951 when the introduction of national economic planning brought a fresh promise to the co-operative movement in Assam. Subsequently, the present position with regard to the number of co-operative institutions and commercial banks, their coverage along with the financial need of farmers and the assessment of credit requirements have been exhibited.

Chapter IV, deals with the supply and direction of institutional credit for agriculture by Co-operatives, Commercial banks and Regional Rural Banks in Assam and in Kamrup district. Chapter V, is on the experiences of beneficiaries or farmers who all had borrowed loans for agriculture. It also shows the results of the field survey undertaken in Dimoria and Hajo development blocks of Kamrup district. Chapter VI, is on the summary of findings of the study, the major conclusions of the work and offers suggestions for future policy. Lastly, the bibliography and references of the study has been stated.

A field study was conducted to get first hand information on various aspects of institutional credit for agriculture. The main objective of this micro study was to collect some information to examine some objectives of the
main study for which adequate data and literature are not available. For example, utilisation of credit or the lending policy and procedure of institutions may not be examined at the macro level due to the above constraints. So a field study had to be conducted. Though, the field study was conducted in a limited area of the district, yet the results focus some light on the issues discussed in the main study. In the field investigation all the aspects related to institutional credit supply has been taken into account. For a systematic presentation of the results of the field survey, two issues namely adequacy and direction of institutional credit as found at the farm level have been examined.

The field study was conducted in only one of the districts of the State and two blocks of the district on account of time and resource constraint. The study though related to the state as a whole, the findings of the field investigations are mainly for illustrations of the farm level situations.

Kamrup is the district selected for field study. Two block of Kamrup district namely Dimoria Development Block (DDB) and Hajo Development Block (HDB) have been selected for field survey in consultation with the District Agriculture Officer and Directorate of Agriculture, Government of Assam. It was decided before hand to conduct the
study in four villages of each of the two selected blocks. Since irrigation is the major factor for the adoption of the new technology and the consequent changing dimensions of 'credit-requirements', four villages from each block were randomly selected to represent villages having high and low irrigated area respectively. The names of the selected villages in Dimoria Development block are irrigated villages like Hathkhula and Alenga and unirrigated villages like Borkhat and Jogdal. In Hajo Development Block, the selected irrigated villages were Sinrimari and Alikhak and unirrigated villages like Dadora and Duliabari.

From each two villages 25 cultivators were selected on the basis of stratified random sampling. Farmers were first stratified into small, medium and large holding groups: (1) small farmers having less than 2 hectares, (2) medium farmers having 2 to 3 hectares, and (3) large farmers having more than 3 hectares. Data related to ownership of land holdings were collected from the respective Village Level Agricultural Workers (ULAWs). On the basis of equi-proportional representation of each size class of holding group, the number of farmers to be taken from each group was decided and then the ultimate unit of sample cultivators was selected at random.
In Dimoria Development Block under irrigated villages 16 farmers belonged to 0-2 group, 3 farmers belonged to 2-3 group and 6 farmers belonged to 3 and above group of farmers. In the unirrigated villages of the block 17 farmers belonged to 0-2 group, 3 farmers were from 2-3 group and 5 farmers from 3 and above group.

In Hajo Development Block, irrigated villages 14 farmers belonged to 0-2 group, 5 farmers belonged to 2-3 group and 6 farmers belonged to 3 and above group. In the unirrigated villages of the block, 18 farmers were from 0-2 group, 5 farmers from 2-3 group and 2 farmers from 3 and above group. The total number of sample cultivators were in 100 cultivators total for both blocks.

For collection of data both survey and case methods were adopted. First of all, by survey method information was collected from the selected sample farmers by using structured schedules and questionnaires. Such information was mainly related to ownership of land holding and operational holding, availability of irrigation facilities, cropping pattern, current farm expenditure, sources of credit, amount of credit, utilisation and repayment of institutional loans and others. Data was collected by personal interviews and from the official records of sample institutions. The reference year for the study was 1990-91. Difficulty was experienced in the collection of data from
sample households since they do not keep any record of the expenses met by them for agricultural operations. However, for the collection of reliable data on the receipt of credit from institutions, and also on repayment, data found in the records maintained by the credit institutions were used for checking.

For the analyses of data collected from the sample households, the simple average method in tabular forms has been used. Credit - requirements, both of production and investment here refer to the potential demand for credit or the requirements felt by cultivators during the year, which the credit system was not able to satisfy. For assessment of production credit-requirements, first the current farm expenses have been estimated. Details of cost concepts and basis of valuation of costs have been given in Appendix - III of the main study. Two assumptions have been made here. Firstly there is no change in the existing cropping pattern, and (2) non-availability of credit is the only constraint for the cultivator to move over to the improved technology.

Conclusions of the present study have been given in the last chapter. The major findings of this study are summarised below:

With regard to agency-wise distribution of cash loans outstanding in rural areas of Assam and India
partaining to one year 1981-82, the highest percentage share was accounted by commercial banks (16.8 per cent); followed by co-operative (6.9 per cent) and then by the government (6.8 per cent).

Some improvement in the situation was indicated by data provided by the Annual Report of NABARD 1986-87. According to it, total schematic (long term) lending by different agencies of institutional rural credit in Assam during 1986-87 (July-June) came to ₹ 2140 lakhs. The figures however include lending not only for agricultural schemes such as minor irrigation and farm mechanisation, but also for scheme in allied activities such as animal husbandry and horticulture. Complete data on short and medium term lending of financial institutions to agriculture sector of the state in the corresponding year 1986-87, could not be collected due to some problems. Data made available by the agriculture section of the Assam State Co-operative, Apex Bank indicate that the short-term and medium-term agricultural lending of the co-operative institutions in the state during 1986-87 (July-June) amounted ₹ 256.26 lakhs and ₹ 140.20 lakhs respectively.

A most disturbing feature observed in respect of primary agricultural credit societies in Assam is that a great majority of these societies have been lying dormant and only a few including 701 Goan Panchayat Level Samabay
Samities (GPSS) and 38 Large Size Multipurpose Co-operative Societies (LAMPS) are currently functioning in the State. The primary agricultural credit societies (including LAMPS) with a membership of 22 lakhs in Assam provided loans/advances to the tune of Rs 3.59 crores during 1983-84 as against Rs 1.91 crores during 1982-83. It is reported that more than three lakh borrowers availed loan facilities during 1983-84.

The major indicator of the progress and performance of GPSS indicate that during the period 1984-85 to 1990-91, loans issued for short-term period increased from Rs 358.65 lakhs to Rs 369 lakhs an increase by Rs 10.35 lakhs during the period. However, mid-term loans showed a falling trend during the period. In case the progress and performance of LAMPS, during the period 1984-85 to 1990-91, both short-term and mid-term loans showed a falling trend during the period. Thus, the progress and performance of GPSS and LAMPS was not satisfactory.

As to credit supplied by commercial banks, with the expansion of banking net-work in Assam, the volume of deposits and deployment of credit both showed a rising trend during the period 1975 to 1991. The volume of deposits during 1975-1991 increased from Rs 123.78 crores to Rs 2178.36 crores an increase by Rs 2054.58 crores while credit rose from Rs 55.91 crores to Rs 1177.13 crores an increase by
Rs 1061.22 crores during the period. However, the credit-deposit ratio of scheduled commercial banks, as available from Reserve Bank of India publication reveal a non too-encouraging position of Assam as the same for the state is reported to be 55.4 per cent in December 1989 compared to 64.7 per cent at all India level. During the period 1990-91, in Kamrup district number of bank offices increased from 146 to 149, deposits increased from Rs 643.70 lakhs to Rs 751.63 lakhs while credit of commercial banks increased from Rs 418.73 lakhs to Rs 433.63 lakhs during the period.

With respect to issue of short-term loans by The Assam Co-operative Apex Bank through GPSS and LAMPS adopted under the bank during 1981-82 to 1990-91, short term loans showed a continuously rising trend during the period from Rs 31.59 lakhs in 1981-82 to Rs 485.74 lakhs during 1990-91, an increase in amount by Rs 454.15 lakhs during the period. However, in 1985-86, the amount showed a falling trend. With regard to medium term loans the amount rose from 1981-82 to 1990-91 from Rs 47.71 lakhs to Rs 83.73 lakhs i.e., a rise by Rs 36.02 lakhs during the period.

The position of total loans and advances of The Assam Co-operative Apex Bank Limited during 30.6.86 to 30.6.89 shows that, short-term loans has a continuous rising trend from Rs 256.26 lakhs to Rs 409.05 lakhs a rise by Rs 152.79 lakhs during the period. While the medium-term
loan increased from 30.6.86 to 30.6.87 from ₹ 140.20 lakhs, ₹ 163.98 lakhs a rise by ₹ 23.78 lakhs during the period.

Performance of All Banks Under Annual Action Plan 1986-88 reveals that total achievement amounts has increased from ₹ 29340 in 1986 to ₹ 71126 lakhs in 1988 an increase by ₹ 41786 lakhs during the period.

Such observations are found to be true from the results of the field investigations conducted for the study. Important findings of such investigations are as follows:

(1) Utilisation of production credit was to the extent of 40.4 per cent in case of all sample borrowers of both block. Further, utilisation is found to be better in Hajo Development Block (49.6 per cent) than in Dimoria Development Block (34.5 per cent). Among different size-groups of both blocks when compared, small farmers have utilised the highest proportion of such credit (61.6 per cent); followed by middle size-group (57.4 per cent) and the least by large farmers (19.2 per cent).

In case of investment credit, 76.9 per cent of the total credit was utilised by all borrowing households. Utilisation was better in Dimoria Development Block (76.9 per cent). In Hajo Development Block there was no utilisation of investment credit. In the Dimoria Development Block, the highest amounts was utilised by both middle and large farmers which is 100 per cent utilisation, followed by small farmers utilising an amount of ₹ 66.6 per cent.
Again an examination of 10 dugwell loan cases shows that while 5 of these wells were completed with water for irrigation, 2 were completed without water and the rest 3 were unsuccessful wells.

In addition to all the above findings on utilisation of credit, micro analysis also reveals the nature and extent of misutilisation and diversion of credit in the sample area. Purpose-wise distribution of diverted amounts in percentage reveals that a major part of total diverted amounts of production credit is utilised for purposes like investment in agriculture (56.0 per cent) and business and professional needs (17.5 per cent) while a smaller part is utilised for consumption and other household needs (8.4 per cent) house construction and education (11.5 per cent) and miscellaneous purposes (nil) (10.0 per cent).

Like diversion of production credit, diversion in case of investment credit is found to be more in Dimoria Development Block than in Hajo Development Block where it is nil in amount. In unirrigated areas, diversion is present while in irrigated areas of Dimoria there is no diversion at all. In Dimoria Development Block, the highest amount was diverted in case of small farmers an amount of (33.3 per cent) while in case of medium and large farmers there is no diversion of investment credit.
All the above findings, on the utilisation and mis-utilisation of institutional credit, though related to a limited area of the district, corroborate observation that credit dispensed even for productive purposes is misutilised. Ultimately such a misutilisation of credit leads at times to non-repayment of institutional dues. Thus, the reason mis-utilisation of credit as being a cause of inadequate credit supply is found to be true.

An integration between the quantitative and qualitative aspects of institutional credit is required. Thus the study shows that mere multiplication of the institutional agencies is not the only answer to the problem of inadequate institutional credit supply and it indicates the importance of several qualitative aspects which are to be given due emphasis to achieve the desired objectives.

*******