Chapter-8

Role of Various Financial Agencies in Ericulture of Assam

8.1 Introduction

8.2 Sources of Finance in Assam

8.3.1 Institutional Sources of Finance in Barpeta district

8.3.2 Non-Institutional Sources of Finance in Barpeta district

8.4 Ericulture and Financial Institutions in Barpeta district

8.5 Government Finance to Ericulture

8.6 Conclusion
Chapter- 8

Role of Various Financial Agencies in Ericulture of Assam

8.1. Introduction

Finance is the key to the success of any economic activity. The provision of adequate finance at appropriate time is of basic importance for the smooth working of the economic activity and for its success. Economic activities need various types of credit, namely, short term, medium term and long term credit depending upon the level and type of investment. But simply, credit is not sufficient. Along with credit, terms and conditions as well as the rate of interest at which loan is available is also important. The availability of credit enhances the productive capacity of any enterprise, whether small or big. The small growers or entrepreneurs, who often suffer from the lack of credit, can also operate efficiently under suitable market structure and other socio-economic conditions and even can pay reasonably high interest rate and also grow. It has already been proved by Dr. Yunus through his continuous effort in Bangladesh and that is also appreciated and acknowledged worldwide. The conventional notion of inability of the small and poor entrepreneurs to repay the loan, on the basis of which they are discriminated against the big entrepreneurs in granting loan by the established banking authorities in many places, has been proved wrong and hence credit should be extended to all the motivated hard working entrepreneurs who want to extend their economic activities.

The financial sources can be broadly divided into two categories, namely, institutional and non-institutional. The institutional sources are commercial banks
including the Regional Rural Banks (RRBs), Co-operatives and the Government. On the other hand, non-institutional sources consist of moneylenders, traders and commission agents, landlords and relatives.

In this chapter, first of all an overview of different financial sources (both institutional and non-institutional) operating in Assam is given. It is followed by a brief description of the institutional sources and non-institutional sources operating in the district of Barpeta. Thereafter, the role of different sources of credit among the sample households has been analysed. Lastly, the role of central and state government in providing financial assistance to the ericulturists in Assam as well as in the district of Barpeta is discussed.

For the purpose of analysis, secondary information on bank branches, deposits, disbursement of loan etc. are collected from Directorate of Economics and Statistics, Government of Assam and Office of the Director of Central Silk Board (North-East), Government of India. Apart from secondary data, primary data on the loan taken by the ericulturists from different sources are also collected from 180 families chosen by multi-stage stratified random sampling from nine villages within three Community Development Block of Barpeta district as described earlier.

8.2. Sources of Finance in Assam

Almost all the financial institutions have been operating their financial business in Assam. The major financial institution operating in Assam is commercial banks. Almost all the nationalised banks including State Bank of India, Regional Rural Banks\(^1\) and other scheduled commercial banks have been operating in the state. Apart from Indian banks, one foreign bank has also been running its banking business with only

---

\(^1\) All the five RRBs, namely, Pragjyotish Gaonlia Bank, Subansiri Gaonlia Bank, Langpi Dehangi Rural Bank, Lakhmi Gaonlia Bank and Cachar Gramin Banks are amalgamated and renamed as Assam Gramin Vikas Bank
one branch in the state. Total number of bank branches, their deposit mobilisations and
their deployment of credit in Assam are presented in table-8.1. Total number of bank
branches operating in Assam was 1272 as on March 2005. On an average total deposit
of a bank branch was Rs.1397.93 lakh on March 2005. Out of these deposits, credit
granted per bank branch was Rs. 492.99 lakh. The credit deposit ratio was about 0.353,
which was comparatively much lower than the developed region. Not only that, the
credit deposit ratio for the Regional Rural Banks (RRBs) was only about 0.442; that
indicates the loan advanced by RRBs to the rural sector is not significant. Apart from
these banks, some Non-Banking Financial Institutions (NBFIs) like Life Insurance
Corporation of India Limited (LICI), General Insurance Corporations of India Limited
(GICI), Small Industrial Development Bank of India (SIDBI), Industrial Development
Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit
and Investment Corporation of India (ICICI), National Bank for Agriculture and Rural
Development (NABARD), etc are also operating in Assam. Along with these
institutional sources, some non-institutional sources have also been engaged in credit
market in the state.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Branches (Number)</th>
<th>Deposits (Rs in Lakh)</th>
<th>Deposit per Branch</th>
<th>Credit (Rs in Lakh)</th>
<th>Credit per Branch</th>
<th>Credit Deposit Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI and Associates</td>
<td>215</td>
<td>675979</td>
<td>3144.08</td>
<td>234492</td>
<td>1090.66</td>
<td>0.346</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>635</td>
<td>844395</td>
<td>1329.76</td>
<td>305648</td>
<td>481.34</td>
<td>0.362</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>01</td>
<td>16922</td>
<td>16922</td>
<td>145</td>
<td>145</td>
<td>0.008</td>
</tr>
<tr>
<td>RRBs</td>
<td>409</td>
<td>172033</td>
<td>420.62</td>
<td>76022</td>
<td>185.87</td>
<td>0.442</td>
</tr>
<tr>
<td>Other Scheduled Commercial Banks</td>
<td>12</td>
<td>68836</td>
<td>5736.33</td>
<td>10768</td>
<td>897.33</td>
<td>0.156</td>
</tr>
<tr>
<td>Total</td>
<td>1272</td>
<td>1778165</td>
<td>1397.93</td>
<td>627075</td>
<td>492.99</td>
<td>0.353</td>
</tr>
</tbody>
</table>


8.3.1 Institutional Sources of Finance in Barpeta District

Almost all the institutional sources of finance are operating in the district of Barpeta and the most important institutional source in the district is commercial banks. All the major commercial banks have been in operation in the district. The number of commercial banks operating in the district was 09 with 38 branches on March 2005. Out of these branches, 28 branches are in rural and only 10 branches are in semi-urban areas. The major scheduled commercial banks are United Commercial Bank, Allahabad Bank, Union Bank of India, Syndicate Bank, Central Bank of India, etc. Punjab National Bank also started its operation at Barpeta Road (within Barpeta district) in 2005. Apart from these commercial banks, one Regional Rural Bank called Assam Gramin Vikas Bank has been operating with 20 branches (17 in rural and 03 in semi urban areas) in the district as on December 2005. Along with this, one co-operative bank called The Assam Cooperative Apex Bank Limited has also been running its banking business in the district with three branches at Barpeta, Barpeta Road and Pathsala. Also there is Land Development Bank in Barpeta district with only one branch whose prime objective is to provide long-term loan to the primary sector including sericulture of the economy. The number of villages per branch in Barpeta district was 1086 in 2004 (NABARD, 2005), which indicates that each branch covers a vast area of the district that precludes the chance of extending credit to the remote villages. The aggregate deposit mobilised by these banks in the district was Rs.443 crores, out of which Rs.208 crores was advanced in the form of credit as on March 2005. Therefore, poor credit-deposit ratio is an indication of limited role of these banks in the general economic activities and thus the development of the district.

8.3.2. Non-Institutional Sources of Finance in Barpeta District

Along with the various institutional sources of finance, numbers of private sources are also operating their credit businesses within the district of Barpeta. The major non-institutional sources of finance, operating in the district are moneylenders, traders, commission agents and relatives. Although it is not possible to have appropriate figure of their number and their credit deployment over the years, it is noticed that they have been playing a pivotal role in financing both productive and unproductive activities of rural and urban people. It is also observed that the rate of interest charged by these private sources ranges from one per cent to fifteen per cent per month, which is quite high in comparison to the institutional credit.

8.4. Ericulture and Financial Institutions in Barpeta district

Investment of capital in eri silk culture in the district of Barpeta is quite low. In spite of that, the poor ericulturists need financial assistance to make the silk rearing a viable occupation (Dutta, 1988). Ericulturists need short-term as well as long-term credit. They require short-term loan to purchase seeds, rearing appliances and for meeting other day-to-day expenses of rearing like payment of wages to the hired labour (if any), transport cost associated with the collection of leaves, etc. At the same time, the rearers need long-term credit to purchase land for cultivation of eri host plant, construction of rearing house etc. if possible. Similarly, in endi textile industries, the spinners and weavers require long-term loans to have expensive modern spinning devices like CSTRI spining device, loom etc. to make the industry commercially viable and profitable and expand the activities.

Although number of institutional sources is available in Barpeta district as mentioned earlier, there is not even a single institution which has so far come forward to extend their helping hand to the eri rearers and weavers during the last ten years. During the field survey the poor and needy entrepreneurs reported that they are unable
to obtain institutional finance because of the tedious and lengthy procedure of sanctioning loans and rigid terms and conditions. Besides, they have to prepare and submit scheme and project report (which is very difficult for them as most of them are illiterate), obtain non-encumbrance and valuation certificates from land records officers for collateral security, search for guarantor of loan etc, and what is more, the value of land offered as security in most cases falls far short of the norms insisted on by the institutions for the required amount of advance as they are the owner of very small land. Baishya (1986) had also observed the similar situation in case of all the sericulture activities in Assam. That means there has not been much change in the economic condition of the rearers during the last 20 years. It was also found that some of the entrepreneurs or needy rearers were not aware of the availability of institutional finance due to information gap or ignorance on their part. Therefore, not even a single person associated with ericulture in the entire Barpeta district is found who has received financial help from any banking or non-banking financial institution. Here, government has been found to be the only institutional source of finance of ericulture and endi textile industry, but the assistance provided by the government has not been sufficient as is observed from the field survey.

However, non-institutional sources like moneylenders/traders are always ready to advance credit to the needy rearers and weavers. It is because of the fact that they can take away the major portion of income generated in ericulture and endi textile (handloom) industry in the form of interest⁴. Also they can purchase the cocoon from the rearers at the very low price that is in many cases fixed at the time of advancement. Therefore, to avoid the exploitation by village mahajan, most of the rearers go by their own financing ability and limits their activities. It is also observed in chapter-4 that the

---

⁴ Because of non-organised and non-unionised the bargaining power of the rearers and crafts man is very poor.
relatively well off families adopt weaving along with rearing of cocoon, depending upon their financial conditions; whereas the poorer have less incentive to practise weaving as it is not much remunerative if they carry on with loan from mahajans. As the pecuniary plight of most of the rearers is deplorable, many of them have been practising it with their meagre investment capability by the traditional method and produce a limited amount for their home consumption in spite of the willingness of many of them to carry on this occupation commercially. However, a few rearers used to take credit advanced by village moneylenders (Mahajan). Table-8.2 provides the distribution of sample families according to the source of credit in the study area.

From table-8.2, it is observed that out of total 180 ericulturist families, 154 (85.56 per cent) families are dependent on their own source of finance. It indicates that self-finance is the major source of finance in ericulture⁵. Out of the three communities developments blocks, maximum ericulturist families of Sarukhetry (90 per cent) are dependent own their own finance. Gobardhana and Jalah blocks occupy second (with 85 per cent) and third position (with 82.86 per cent) respectively with respect to self-finance in ericulture.

<p>| Table-8.2 |
| Sources of Finance of Eriiculture in the Sample Household during 2005-06 |</p>
<table>
<thead>
<tr>
<th>Sources of Finance</th>
<th>Sarukhetri CD Block</th>
<th>Gobardhana CD Block</th>
<th>Jalah CD Block</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Village Mahajan</td>
<td>01 (2.00)</td>
<td>02 (3.33)</td>
<td>04 (5.72)</td>
<td>07 (3.89)</td>
</tr>
<tr>
<td>Relative</td>
<td>02 (4.00)</td>
<td>04 (6.67)</td>
<td>02 (2.86)</td>
<td>08 (4.44)</td>
</tr>
<tr>
<td>Own Finance</td>
<td>45 (90.00)</td>
<td>51 (85.00)</td>
<td>58 (82.86)</td>
<td>154 (85.56)</td>
</tr>
<tr>
<td>Government</td>
<td>02 (4.00)</td>
<td>03 (5.00)</td>
<td>06 (8.56)</td>
<td>11 (6.11)</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>70</td>
<td>60</td>
<td>180</td>
</tr>
</tbody>
</table>

Source: Compiled from Field Survey. Note: Figures in the parentheses represent percentage to total of the corresponding source of credit.

---

⁵ It may be due to two reasons. Both the producers/rearers are constrained by the limited market and hence for the limited production they do not receive advance capital from outside. On the other hand, it may be the fact that the major and attractive sources of capital are out of reach of those people, which may be due to the lack of security, information etc. Therefore, even though they are interested to expand their activities they are constrained by the non-availability of capital. It is however observed earlier that there is continuous rise in production and price of eri products over time and hence there is the possibility of expansion which may be more if the product is diversified and hence the second possibility is more likely to constrain the activities of the rearers.
Next important source of finance in ericulture is village mahajan. Only 3.89 per cent of the total ericulturist families in the study area take loan from the mahajans. The most important drawback of this private source is that they charge very high rate of interest. Also in few cases the rearers take loan from their own relatives. But their contribution is not very significant. Only 4.44 per cent of the ericulturists families take advance from this source. It is also because of almost same deplorable financial condition of their relatives. However, the rearers and weavers like to borrow from their relatives because most of the times they need not pay interest to the lenders. Of course, sometime they pay a nominal interest (in the form of gift) when their business becomes a successful one. Among the three blocks, the percentage of rearers receiving loan from the village mahajan together with the family relatives are comparatively higher in Gobardhana block (around 10 per cent) than the other two blocks; which happens to record more incidence of poverty (table-4.13). In spite of exploitative nature of the mahajans, reduction in the incidence of poverty is also higher in this block (as observed from table-4.14). Therefore, it can be said that if the rearers would receive soft loan from any source, say co-operatives, banks, SHGs, they could generate more income from ericulture activities. But, the role of banks, co-operatives and even of self-help groups in financing the ericulture activities in the sample households is found to be nil.

8.5. Government Finance to Ericulture

As other major institutional sources (particularly the commercial banks) are not coming forward to assist the ericulturist by advancing credit, the capital formation in ericulture is still very low and the ericulturists also cannot expand activities because of their low income. Under these circumstances, the government can take steps to develop this sector. Both state government as well as central government has been extending financial assistance in the form of grants to the sericulturist families, especially
ericulturist families of the state of Assam, but that too on a very limited scale. Recently, Government of Assam has started Tribal Sub Plan (TSP), Scheduled Caste Component Plan (SCCP) and Grant in Aid to General under which financial assistance is provided to the sericulturist families of the state. As per record, only Rs.5000 is granted to each of the nine beneficiaries under SCCP and six beneficiaries under TSP in 2006-07 in the entire Barpeta district. Therefore, the number of beneficiaries brought under this scheme is very negligible.

Grant is also given to the sericulturists of the state under Catalytic Development Project (CDP). Under this project, 90 per cent of the grant is contributed by the Central government while remaining 10 per cent is by the state government of Assam. The grant is offered to the rearers for augmentation of eri food plantation, construction of eri rearing house and also for obtaining eri-spinning devices. For augmentation of eri feed plantation, the financial assistance to the tune of Rs.600 is provided to each selected ericulturist family in a year. Under the same CDP scheme, government also provides Rs.600 to an eri rearer for purchasing eri-spinning devices in a year. The maximum assistance offered by the government to an eri rearer is for construction of eri rearing house under the same scheme. The grant given for the purpose is Rs.10,000 to a single rearer. Every year different ericulturist families/groups are chosen for the grant under each scheme. Government assistance allocated to the ericulturists of Assam for different activities under the CDP scheme during tenth plan (2002-03 to 2006-07) is presented in table-8.3.

During tenth plan, altogether 3872 ericulturists got financial benefit for the augmentation of eri feed plants. During the same period, only 3807 ericulturist families received financial assistance for the construction of rearing houses out of total 135237 ericulture practising families as recorded in 2005-06. Even if one fourth of them are poor, it is clear that the number of ericulture families brought under these programmes,
are very negligible. Not only that, the assistance provided to each beneficiary family is meagre compared to the required capital, which is of course comparatively smaller than other ventures of sericulture.

Table-8.3
Number of Eri Beneficiaries under CDP in Assam during Tenth Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmentation of Eri Feed Plants</td>
<td>96</td>
<td>336</td>
<td>1255</td>
<td>1378</td>
<td>807</td>
<td>3872</td>
</tr>
<tr>
<td>Rearing House</td>
<td>00</td>
<td>330</td>
<td>550</td>
<td>1320</td>
<td>1607</td>
<td>3807</td>
</tr>
</tbody>
</table>

Source: Directorate of Sericulture, Government of Assam, Assam, 2007

Table-8.4
Number of Eri Beneficiaries under CDP in Barpeta district during 2000-01 to 2005-06

<table>
<thead>
<tr>
<th>Year</th>
<th>Eri Feed Plantation</th>
<th>Rearing House</th>
<th>Spinning Devices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>05</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>2001-02</td>
<td>05</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>2002-03</td>
<td>00</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td>2003-04</td>
<td>00</td>
<td>13</td>
<td>06</td>
</tr>
<tr>
<td>2004-05</td>
<td>30</td>
<td>30</td>
<td>00</td>
</tr>
<tr>
<td>2005-06</td>
<td>00</td>
<td>40</td>
<td>00</td>
</tr>
</tbody>
</table>

Source: Office of the Assistant Directorate of Sericulture, Government of Assam, Barpeta, Assam, 2006

Table-8.4 displays the number of beneficiaries in the district of Barpeta under CDP scheme for different sericulture activities during 2000-01 to 2005-06. During 2000-01, only five eri rearers together received a sum of Rs.3000 (Rs.600 each) for augmentation of eri host plant on 2.5 acres of land. In the following year, again some other five rearers were benefited with the same amount of money for the similar activity. But, no grant was offered to any eri rearers in 2002-03 in the entire Barpeta district though in the following year 13 eri rearers received Rs.10,000 each for the construction of rearing houses. In the same year, other six rearers received Rs.600 each for purchasing eri-spinning devices. In the year 2004-05, number of beneficiaries under the programme of eri feed plantation and construction of rearing houses increased to 30 i.e., a total of 60 different rearers within the CDP scheme. But, the result of this assistance was almost nil as per the official records. During the personal investigation
also not even a single rearing house was observed among the rearers. Therefore, since 2005-06, in spite of offering cash in hand to the beneficiary rearers, the Directorate of Sericulture, Government of Assam has started providing assistance in the form of materials in different phases for the construction of rearing houses. It is done with a view to appropriate use of the provision. In the year 2005-06, forty rearers were benefited with an expenditure of Rs.4 lakhs for the construction of rearing houses.

Although Government officials claim that the eri rearers are mostly benefited under the CDP scheme in recent years, but during field investigation out of 180 families only 33 were found to have received grants under any of these programmes, which was mentioned in chapter-7. From the figures it is clear that whatever grants are received by the poorer eri rearers from the government is not sufficient in comparison to their needs, for which they are unable to expand their activities sufficiently to develop themselves.

8.6 Conclusion

In any modern commercialised economy, availability of cheap credit at appropriate time helps any economic activity to grow in a proper way. Although institutional and non-institutional sources are there in Assam in adequate number, their role is very much limited in financing ericulture. Still now, we do not observe any major step taken by the financial institutions towards the development of ericulture and endi textile industries in Assam. Though non-institutional sources are observed plenty in the district of Barpeta, the ericulturists are not willing to take credit from them as rate of interest charged is very high that reduce their profitability significantly and make it non-remunerative. Therefore, this age old sector though still existing but not growing at a desired rate. The ericulture activity is mainly constrained by the limited resources of the rearers themselves.
Government has been providing grants in aid to the rearers. But, the grants are either insufficient or mis-utilised and in some cases even misappropriated by the corrupt government officials in the name of rearers. Therefore, the actual rearers are not benefited at all. Proper policy should be framed to identify the actual rearers and also to monitor the programmes for the proper utilisation of whatever resources are available, by the eri rearers that can make them more competitive.

References


