Chapter-VII

SUMMARY OF FINDINGS
AND CONCLUSION
At the end of our fairly long and detailed investigation into the availability and use of agricultural credit by the farmers of the Ri-Bhoi district of Meghalaya and the analysis of the data collected from our field survey of the four villages as a case study of the needs and utilization of agricultural credit by the farmers of these villages, we may now summarise our findings and note the conclusions that emerge from the analysis.

SUMMARY AND FINDINGS

I

As a background to our investigation into this important input in the agricultural development, we cannot but make a quick review of the literature that deals with the rural indebtedness in our country and the Government concern with the plight of the Indian farmers. In the course of this review we are amply reminded that money lenders have universally been recognised as the great exploiters of the illiterate farmers in the distant past and even now. The exorbitant rate of interest exacted by the money lenders had and still have impoverished the poor and innocent farmers in the rural areas of the country. In the case study that we have undertaken for investigation, it was found that a 100 per cent interest was even exacted from the farmers in the case of credit taken in kind.

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But the state authorities in the past and now appear to be equal to the task of bringing relief to the agricultural debtors in the country. Such relief measures were begun in the previous century and the most notable action taken was the introduction of the co-operative credit societies in the rural areas. But this measure did not prove successful enough due to the mass illiteracy of the Indian farmers. Another praise-worthy act done was the appointment of the All-India Rural Credit Committee soon after independence. Many volumes of reports were produced by this committee from time to time but the problems of the farmers could not be totally removed. It was during the 1960s that the All-India Rural Credit Review Committee was set up which recommended novel ideas of electrification of the rural areas, simplification of lending procedures and diversification of rural credit for rural development. It may be said that the recommendations of this Review Committee had largely changed the face of rural India but did not touch upon the farflung areas of the North-Eastern Region including Meghalay.

Eventually the Reserve Bank of India (RBI) had to come forward in a big way to ameliorate the conditions of indebted farmers. The Agricultural Development Department was established in the RBI with a view to liquidating the money lenders. What followed thereafter were measures that have substantially helped the indebted farmers. The Regional Rural
Banks were initiated in October 1975 but which spread to the North-Eastern Region only in the 1980s. The National Bank for Agriculture and Rural Development was set up subsequently which has greatly reinforced the measures already taken. Nevertheless, the poor and illiterate farmers in Meghalaya still continue their dependence on informal sector lending as evident from our case study undertaken in the four villages of Ri-Bhoi district of the State.

II

We had also to make a bird's eye view of some aspects of the economy of Meghalaya to know the development of the economy at the state level. It has been found that the State is very rich in coal and lime deposits. It has also the world's largest deposits of sillimanite. There are other minerals found in the State. Even Uranium is believed to have a rich deposit in the State. Immense potential of hydro-electric power generation exists due to its various north-flowing and south-flowing rivers. The climate of the State is also very congenial for all types of economic activities. The development potential in the State is thus very great. It only depends on the development of the right infrastructure to enable it to forge ahead in economic development in all sectors.

Unfortunately the infrastructure in the State is still weak to sustain economic development in the State. We have
compared the contribution of infrastructure to the generation of State income in 1973-74 with that in 1998-99. It is relevant to state here that the contribution of banking and insurance increased from 0.5 per cent in 1973-74 to 2.3 per cent in 1998-99. The contribution, though positive, appears to be too less to be capable to support the development in other sectors including agriculture.

The sectoral analysis of the economy of Meghalaya has shown that the State offers immense potential for growing a large varieties of agricultural and horticultural crops. In the mountainous regions, land utilization under horticultural crops can yield the highest level of both social and economic benefits. Jhum farmers can be weaned away through the development of horticulture. The State is blessed with tropical, semi-tropical, and temperate climates which can permit the cultivation of a wide variety of fruits and vegetables. Adequate infrastructure including the availability of agricultural credit has to be ensured for the development of the agricultural sector.

Presently, Meghalaya is industrially backward. The contribution of the industrial sector to the State Domestic Product is a little more than 11 per cent. An increase has been registered but it is too small to indicate any substantial development of industries in the State.
The services sector has all along dominated the State's economy in terms of its contribution to the State Domestic Product. This is not unusual for a developing economy.

In the long 25 years of its existence, Meghalaya has not been able to build its capability necessary for its industrial development. Clearly, unless all the districts are uniformly developed industrially, the lopsided development of the State will continue in all sectors.

III

The focus of our present investigation is on the Ri-Bhoi district of Meghalaya where a case study has been undertaken on the four villages of the district. Though only one important mineral, namely granite, has been found in the district, yet it is very rich in forest resources and hydel power potentials. The district is rich in natural vegetation ranging from tropical to temperate dense jungles which abound in flora and fauna. Very fine varieties of Sal trees are grown in the district.

The five major rivers of the district provide great potentiality for the development of hydro-electric power. Two hydel projects have already been constructed to generate power from the Umtrew and Umiam-Khwan rivers with a generating capacity of 11.20 MW and 174 MW respectively,
which supply power not only within the State but also to other States as well.

With the low literacy rate of 30.66 per cent as compared to the state average of 49.1 per cent and the weak infrastructural facilities including banking facilities, the district has not been able to forge ahead in any sector. However it has been found that only in this district that the State sponsored industrial areas have been thriving with activities unlike in other such industrial areas in other districts. Large-scale industry yet to emerge in the district. The district has, however, the largest number of small industrial units including small scale and cottage industries among all districts in the State. In spite of various incentives, there is absence of local entrepreneurs for establishing major industries both in the manufacturing and services sectors.

IV

In the brief survey of the agricultural economy of the Ri-Bhoi district, it is found that the district has the potentials to develop its agricultural sector even to exceed the national level of productivity in certain crops like rice and maize. In the case of other crops, it is competing to reach the national level of productivity. The inter-district comparison shows that the district performs more excellently
in the production of rice and maize. It did the best in the production of sesamum oil seed among all the districts. It is the largest producer of many items of vegetables and did very well in some items of spices.

Ri-Bhoi district in particular is suitable for the development of horticulture. Pineapple is the most important horticultural crop grown in the district. The yield per hectare in respect of this crop is always above the state average yield. Horticulture and tea plantation would indeed help the district to get rid of the wasteful Jhum cultivation. Along with the development of horticulture, permanent occupation of lands would take place thereby solve the problematic system of traditional land tenure. It may be added that marketing facilities would have to be provided by the State to encourage the horticulturists in the district to expand production. Thus, the introduction of horticulture will go a long way in solving both Jhum cultivation and complicated land systems.

V

The analysis of the institutional credit of agriculture in the State and the Ri-Bhoi district has shown that there has been tremendous increase in bank offices in the State as well as in the district. But the agricultural advances of banks as a proportion of their total advances, work out to 19.25 per cent only in the whole State. It is also discovered
that of the 17 banks in the State, only 8 banks extended short-term crop loan to the farmers. But in both these aspects, if the performances of the co-operative banks and the Regional Rural Banks are excluded, the contribution of other scheduled commercial banks, except the State Bank of India, becomes negligible.

Although the cooperative banks and the RRBs did very well in terms of their percentage share in agricultural advances at the state level, their performances in the Ri-Bhoi district were not satisfactory. Their contribution is 30.61 per cent and 5.92 per cent respectively out of their total advances in the district and against their state average contribution 42.76 per cent and 26.77 per cent respectively.

VI

From our analysis of the data collected from our four sample villages - two adopted by the SBI and two not so adopted - it has been found that agricultural performances of the two sets of villages are not much different. The performance of the adopted villages is less impressive as compared to that of the unadopted villages. In fact, in the case of production of one of the three major crops produced in the four villages, namely, pineapple, the unadopted villages did far better than the adopted villages.
Although they have been adopted by the SBI, still there is 6 per cent each in the two villages amounting to 9 households at Umsning and 3 households in Nongthymmai which borrow from relatives. This shows that in spite of the availability of institutional credit, the people of the district still resort to the informal sector lending. While all our sample households in the adopted villages borrow for their agricultural operations, in the unadopted villages there are many farmers who cannot borrow accounting for 20 per cent and 16 per cent in the two villages respectively.

There is no farmer in the adopted villages borrowing from the village money lenders. But in the unadopted villages upto 22 per cent and 24 per cent respectively borrow from money lenders. The largest number of households in the unadopted villages borrow from relatives accounting for 58 per cent and above. It is of course true that while in the adopted villages money lenders are completely wiped off, in the unadopted villages more than 20 per cent of the farmers still depends on money lenders. It is found that in both the adopted and unadopted villages the majority (50 to 80 per cent) of the farmers is borrowing mainly for the purchase of agricultural inputs. Again in both sets of villages, many farmers in the range of 10 to 30 per cent, are utilising their loan for their consumption needs and other domestic purposes.
With regard to the terms of loan repayment, the farmers in the adopted villages make repayment of the loan in cash in respect of the loans they took from banks as they have no other option. But for the loans they took in kind, repayment in kind is made. So far as the farmers in the unadopted villages are concerned, the majority of farmers make their repayment of loans in kind as usually is the practice under the informal sector lending where the rate of interest is mostly 100 per cent. But where repayment is made in cash, the rate of interest is in the range of 8 to 10 per cent per month or 96 to 120 per cent per annum.

The most discouraging reason for defaulting in loan repayment is the failure of the farmers in both sets of villages to sell their marketable surpluses at the market price having been compelled to part with their products at low prices. In one of the unadopted villages, however, the main reason for defaulting is the large diversion of the loan money towards consumption needs. It is also to be noted that the largest number of non-defaulters in loan repayment is found among the farmers in the unadopted villages.

CONCLUSION

Coming to the end of our investigation of the needs and utilization of agricultural credit by the farmers of the Ri-
Bhoi district by making a case study of four villages, certain conclusions emerge from the findings summarised above.

First of all, it must be concluded that the adopted villages selected for our case study have been able to bring about improvement on their agricultural activities by increasing the productivity and enlarging the income of the cultivators. But the unadopted villages studied by us have not been able to do so although they have the capability to increase production.

Secondly, where institutional finance is made available to the cultivators, the village money lenders appear to have been wiped off. But where institutional finance is not available as in the unadopted villages of our case study, the dominant position of the money lenders is still evident. Thus the position in the unadopted villages calls for financial support in the form of institutional credit facilities for promoting their agricultural development and small scale and cottage industries.

Thirdly, it may be true that all our respondents in the adopted villages do not resort any longer to borrowing from the money lenders but we have information that many farmers are still borrowing from the money lenders, traders, rich cultivators and big land owners. In our two adopted villages themselves there are a number of respondents accounting for 6
per cent each who replied that they borrowed from relatives. This shows that in spite of the availability of institutional credit, the farmers still resort to borrowing from the informal sector lenders. Many reasons were given by many poor farmers in both the adopted and unadopted villages for their preference to borrow from money lenders, traders, rich cultivators, land owners and relatives. These reasons are stated to be: (1) Borrowing from the banks is time consuming, (2) Banking procedures are complex and not intelligible to the illiterate and semi-illiterate poor farmers; (3) Banks do not consider poor and illiterate farmers for advancing credit, and (4) Poor farmers usually have the impression that banks provide financial credit only to rich farmers. It would also appear that the indifferent attitude of the bank employees as reflected in their lack of interest in explaining the terms and formalities of loans to the prospective borrowers and their uncordial treatment of the customers, keep away most farmers from banks.

"Fourthly, there is a fairly large number of farmers who dare not borrow from the informal sector of lending for fear of losing their land and other properties. If institutional credit is available and if the right motivation is created for them, they would readily response and avail themselves of such institutional credit capable of raising their methods and techniques in agricultural production. This conclusion is
supported by our finding that the borrowing patterns are similar in both sets of our sample villages selected for our case study.

Fifthly, the availability of institutional credit for agricultural sector in the Ri-Bhoi district where Jhum cultivation is practised fairly extensively, would go a long way in enabling the Jhum cultivators to avoid this wasteful practice. Horticulture and tea and rubber plantations have now been encouraged through state efforts. If these activities are backed up with the readily available agricultural credit, the problems of Jhumming and complicated land system could be overcome in the district in the near future.

Sixthly, with the improvement of transport and communication, the Ri-Bhoi district in particular will no longer remain isolated from the national economy. Hence cropping pattern in the district will also have to be changed. This lends support to the conclusion that horticultural and plantation activities would revamp the economy of the district.

Seventhly, our finding that a good number of borrowers of agricultural loans, is utilizing their loan for consumption needs and other domestic purposes, suggests that short-term loans during the busy sowing and harvesting
seasons would go a long way in ameliorating the financial need of the farmers.

Eighthly, as the emergence of entrepreneurs in the manufacturing and services sectors may take some time more, the development of agriculture in Ri-Bhoi district should continue unhampered with the flow of agricultural credit to a great possible extent.

Ninthly, above all, the capability building of both the human resources and the district itself should precede before it can forge ahead and achieve the level of development that would ensure welfare and prosperity to the people. In this regard, the district should be opened up with better roads and communication. The infrastructural facilities, both economic and non-economic, have to be extended rapidly. This should, of course, include the availability of agricultural credit facilities from banks and other financial institutions to serve the credit needs of the farmers who are poor, illiterate and uneducated.

Finally, the informal sector lending should be totally eliminated from the district. To free the rural poor from the clutches of the private money lenders and to bring them instead to the fold of the banking institutions, simplification of lending procedures and diversification of rural credit for rural development are the need of the hour. This conclusion is suggestive of the following measures:
One, to involve local bodies and traditional organisations for the preparation of a list of farmers taking loans from private money lenders thereby enabling the lending institutions to extend the required credit to them in an easy manner.

Two, to involve the non-governmental organisations formed by persons well-known to the farmers in the rural areas for their honesty and integrity, which would monitor the sanction and disbursement of loans in their own areas and to help in the recovery of such loans after the period of repayment is over.

Three, to give wide publicity to the available schemes of agricultural finances for different categories of farmers.

Four, applications for loans may be processed in public meetings held for the purpose in the concerned locality itself.

Finally, the sanction and the disbursement of the loans may also be made in such meetings to be held at regular intervals.