INTRODUCTION

Independence brought a new outlook to our nation. It expressed itself in a dynamic urge for reconstructing the social order and the economy to equip them to catch up with the advanced countries of the world. The urge, in its turn, set in motion bit and fundamental changes in every sphere of the national life. New approaches and policies had, in consequence, to be formulated by the State to meet the insistent demands for these changes. These policies were embodied in the national planning and aimed at all round development to achieve definite goals.

Of the multifarious aspects of the complex process of change, that of modernising the national financing through banks was one, and was of great significance to the economic growth. The banks had to be lifted from the traditional and limited scopes and functions to the wider field of supporting and promoting the new national objectives. They were to be made to strive to expand and extend their activities to reach the stagnating economy of the remote and backward corners and pockets of the country, which had been so far left to themselves unaided. One brought within the fold of the national wealth-generating machinery,
it was expected that the weaker and neglected sections of the nation would come alive to the prospects of economic upliftment and make efforts for prosperity not dreamt of before. The financial boosting of the rural and tribal economy was sought to be given through banks, commercial and cooperative. On June 27, 1969, there were 88 commercial banks in the country, 72 of which were scheduled and the rest non-scheduled. The State Bank of India with its seven associates was in the public sector of the commercial banks. After an experiment with social control of the banks, it was finally decided to nationalize them with a view to closer coordination with the State and stricter vigilance over their operations. Accordingly, major commercial banks in the private sector were nationalised in 1969. Simultaneously, the socialistic aspirations of the government made them and other financing institutions to move in a massive way to advance credit to productive undertakings. They were required to be physically present in the rural areas where non-monetary communities and communities heavily dependent on money lenders and other usurious sources of finance were to be found. Thus, the banks, till then organised for urban and industrial services with profit motivation mainly, were landed in the most economically undeveloped areas. The first impact has not been very encouraging when viewed from the people's standpoint and the expectations of the
State planners. But it has at least pitched modern sophisticated financing against the obstinate and tenacious old system. The interplay between the two, though not obvious to the casual observer, is of great interest to the students of national economy and of high value to the planners, the executors of the plans and the implementors of the policies.

Granting all poetic justice to those engaged in this national struggle, faults and failings born out of unpredictable circumstances, conservative attitude to new ideas and personal and institutional interests in preference to the national, become obstructive. The present study sets itself to evaluate the results so far achieved in fulfilling the expectations of the banks and to bring out in bold relief the falling short, shortcomings, impediments and negligences, that have blocked a more rapid rate of progress and a greater degree of success.

This study may, therefore, claim relevancy to the economic reconstruction in operation in the area covered by it. The area being pre-eminently tribal in the composition of its population and rural in economy, the significance of the findings gain in importance. The assessment of the achievement will reflect the validity of the policy and the manner of its execution. While not
overlooking or in any way belittling the achievements 
made so far which, in spite of the shortcomings, have 
been considerable, this study has spotted lacunae and 
pitfalls which have hindered progress. These have been 
posed as problems, and suggestions have been offered 
as to how these can be eliminated and avoided. It can 
but be hoped that the investigation will be found helpful, 
and the problems and the suggested remedies will at least 
induce a deeper examination for a more realistic appraisal 
of the situation for better means and better results.

So much for the theme of the study. The field of 
the study is Meghalaya. The reasons for the choice of 
the field are obvious. Firstly, it is the area where 
the present researcher has spent long years as a student 
and a teacher. So he has been able to acquire the pre­ 
requisite knowledge of, and acquaintance with, the land 
and the people from his long association with them. This 
academic interest has made it possible for him to build 
up a clear background picture with the knowledge of the 
problems and of the economic life as a whole. As he got 
to know more and more of the transformation that was 
going on in the area, he was drawn to a more detailed 
study. Among his colleagues and students, he found 
understanding and willing sources of information. It was 
with their help in addition to his personal knowledge.
that he was able to go to the right places and right people for information and verification of data.

For this study of banking in Meghalaya and its overall effect on the economic development of the villages, the State has been stratified into districts. From each district 0.5 per cent non-banked and 0.5 per cent banked villages have been selected. As the percentage of banked villages was found very low, probability sampling was hardly possible. Non-banked villages were selected separately by simple random sampling applied to each district. For this purpose, the 1971 list of villages were used as the frame. For the study of mortgaged status and the effect of banking on it, four villages from the Garo Hills, two from the Khasi Hills and two from the Jaintia Hills have been selected for the final analysis. From the Garo Hills, the villages were selected according to the following criteria:

(a) mostly bank financed
(b) mostly borrowing from money lenders
(c) mostly borrowing from both, and
(d) generally free from debt either to bank/society or money lenders.

The field data were collected in the years 1976, 1978, 1980 and 1982. The gaps of one year allowed sorting out and digesting of the data to cover omissions and
oversights. This has materially helped, not only in getting a balanced picture, but also in providing data for a progressive narration. Though the field study may appear to be restricted, yet this study may be treated as true for the whole State, because the villages selected were representative of the type obtaining in the whole area, with small likely variations depending on local specialities outside the present frame. The villages selected equally represent the two main ethnic and geo-economic segments of the State, the Garo on one hand and the Khasi-Jaintia on the other.

It may be pertinent here to define bank, commercial banking and money lender as used in this study so as to avoid any confusion. By BANK is meant a social institution which deals in money and performs at least three basic functions, namely, acceptance of deposits, lending of money and in the process is able to create (credit) money. By COMMERCIAL BANKING is meant all types of banks that conform to the above definition and aim at profit maximization, constituting a system which is fundamentally different from the Central Bank or the guardian Bank, which does not aim at profit but seeks to maintain the monetary stability with economic growth. Hence, State Cooperative banks along with commercial banks fall within the category of commercial banking in this study.
MONEY LENDER means a lender outside the framework of institutional financiers and hence out of the control management by the Central Bank and therefore free to maximize his private gains through money lending, either in cash or kind or both or even in psychic terms. A money lender is usually a great exploiter appropriating others' monetary and non-monetary assets through high rate of interest or other means. But there are also lenders, say, relatives or friends, who may not exploit in these terms but the psychological exploitation is automatic in the process. The term MONEY LENDER includes all of them.