PART THREE

CHAPTER 7

GROWTH OF INDUSTRIES

IN CACHAR

AND

ROLE OF COMMERCIAL BANKS

IN THE GROWTH
CHAPTER 7

GROWTH OF INDUSTRIES IN CACHAR AND ROLE OF COMMERCIAL BANKS IN THE GROWTH

"The process of industrial growth requires, as one of its accompanying structural changes within the economy, the development of capital market that will provide an adequate and properly distributed supply of finance to those entrepreneurs - whether public or private - who are setting up new industrial plants or expanding existing one. While finance itself produces no output until capital equipment and raw materials are purchased with it, the availability of money and credit permits entrepreneurs to gain control of the real resources which enable them to engage in industry by purchasing and distributing industrial products."

George Rosen.

Industrial development is a sine qua non to economic development. Economic backwardness in a country signifies its industrial backwardness too, because the stream of industrial growth runs parallel to the process of socio-economic advancement of a country. This is why industrial development can not be effected independently of development in other sectors of economic economy. Sectors other than industrial can not flourish in the

1 Kuohal, S.C. - The Industrial Economy of India - P 6.
absence of easily available finance for the purpose. An age-old proverb says 'a man without credit is a bird without wings. If he soars he will fall to the ground and die.' In the absence of a dependable source of finance, industrial units irrespective of their size will fail to survive.

Cachar is rich in potentialities in agricultural products, forest, water and mineral resources. Still no appreciable growth has yet been effected in the industrial sector of the district. The primary causative factors are its infrastructural handicaps, lack of entrepreneurial skill, managerial zeal and last but not the least scarcity of finance.

The problem of finance is influenced by two important factors - (a) absence of savings and (b) incapability of the entrepreneurs to choose suitable projects for financing. Both these problems are acute in Cachar. However, an attempt may be made here at tracing the trend of commercial banking in supplying the most vital input like finance in the industrial development of the district. As the district's economy is largely controlled by the small industrial units, the extent of growth in respect of these units may be studied in this chapter.

7.1 Growth of industries in Cachar

The district had about 377 registered and functioning small scale units on 31st December, 1975 and the aggregate

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1 Rosen, G - Some aspects of Industrial finance in India P X.
investment of the sector was Rs.165 lakhs with a capacity for producing goods worth about Rs.165 lakhs annually and providing direct employment to about 1919 employees on the same date.¹

As per records available in the District Industries Office, Silchar the number of registered small scale units in the district prior to 1970-71 was not even 100.

Investigation has revealed that the commercial banks accomplished very little in respect of promoting these industries. Table 7.1 will show the growth of the small scale units in the district.

Table 7.1²

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of Units</th>
<th>Gross value of the products</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 1978-79 financial year</td>
<td>563</td>
<td>583</td>
<td>2432</td>
</tr>
<tr>
<td>Upto 1979-80 financial year</td>
<td>637</td>
<td>700</td>
<td>2008</td>
</tr>
<tr>
<td>Upto 1980-81 financial year</td>
<td>712</td>
<td>753</td>
<td>318C</td>
</tr>
</tbody>
</table>

The table reveals that till 1978-79, the number of registered small scale units functioning in the district is 563 with an


²Source: Office of the General Manager, District Industries Centres, Silchar, Cachar.
annual gross value of production capacity of about Rs. 583 lakhs and a capacity of providing employment to 2432 workers. During 1979-80 and 1980-81 the number of Units has increased by about 13.1 P.C. and 11.7 P.C. respectively, from the preceding years, while the production capacity of goods has increased by about 20 P.C. and 7.5 P.C. respectively during these two years. The employment capacity of these units during 1979-80 has decelerated by about 17.4 P.C. from 1978-79, while during the succeeding year 1980-81 the same has increased by about 58.7 P.C. from the preceding year. Thus we find that the registered small scale units in the district exhibit significant growth in respect of numerical strength, productive capacity and also employment generation.

The real growth of the small scale units in the district is assessed from the statistical data available about the registered industries alone. Besides, these units, the district had about 2417 unregistered small scale Units investing capital to the extent of nearly Rs. 132 lakhs and providing employment to about 6,349 workers in 1975. Subsequently these figures have enhanced by about 50 P.C. These unregistered units are functioning in the district investing capital of their own coupled with initiative generated from within themselves without being aided by any external agency like government. Commercial banks did absolutely nothing in developing these industries which may be designated as

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1 Govt. of Assam - Rural Industries Project, Cachar, Silchar, Techno Economic Survey Report of Cachar District - P 51.
'orphan' or 'uncared for' units.

In the development of the registered small scale units, the bank finance is important, though not very significant contributions have been made by these institutions, which will be evident from the discussion that follows.

7.2 Role of Commercial Banks in the development of industries in Cachar - A comparative Review of Outstanding credit:


From the table it appears that the outstanding balance of the commercial banks operating in the district has been gradually increasing specially during 1977-1980 when a very high rate of increase is noticeable. Such enhancement is also conspicuous in Assam as a whole and the percentage share of the district in the state's total of outstanding balance has increased to about 6.87 Per cent at the end of 1980 from 2.07 P.C. at the end of 1973 which is far from being desirable.

The picture of outstanding credit in Table 7.2 shows that in 1973, the credit outstanding in the district of Cachar is much higher than only the more backward and neighbouring district of the North Cachar Hills, which accounts for only Rs.63 thousand in the same year. In 1975, the outstanding credit in the district.
Table: 7.2

DISTRICTWISE DISTRIBUTION OF OUTSTANDING CREDIT IN THE MANUFACTURING INDUSTRIES OF THE SCHEDULED COMMERCIAL BANKS IN ASSAM ON THE LAST FRIDAY OF

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>of the total</td>
<td>of the total</td>
<td>of the total</td>
<td>of the total</td>
<td>of the total</td>
<td>of the total</td>
</tr>
<tr>
<td>Gacher</td>
<td>3093</td>
<td>2.07</td>
<td>4093</td>
<td>1.75</td>
<td>4506</td>
<td>1.83</td>
</tr>
<tr>
<td>Howgong</td>
<td>3508</td>
<td>2.35</td>
<td>4699</td>
<td>2.10</td>
<td>21885</td>
<td>8.31</td>
</tr>
<tr>
<td>Darrang</td>
<td>5373</td>
<td>3.94</td>
<td>9487</td>
<td>4.07</td>
<td>7894</td>
<td>3.00</td>
</tr>
<tr>
<td>Dibrugarh</td>
<td>43148</td>
<td>28.95</td>
<td>47832</td>
<td>20.35</td>
<td>75434</td>
<td>28.73</td>
</tr>
<tr>
<td>Lakhimpur</td>
<td>17418</td>
<td>11.68</td>
<td>27231</td>
<td>11.68</td>
<td>12252</td>
<td>4.68</td>
</tr>
<tr>
<td>N.O.Hills</td>
<td>68</td>
<td>0.01</td>
<td>3</td>
<td>0.001</td>
<td>3</td>
<td>0.0009</td>
</tr>
<tr>
<td>Karbi Anglong</td>
<td>566</td>
<td>0.24</td>
<td>536</td>
<td>0.20</td>
<td>55</td>
<td>0.01</td>
</tr>
<tr>
<td>Sibsagar</td>
<td>5558</td>
<td>3.72</td>
<td>13003</td>
<td>5.58</td>
<td>14865</td>
<td>5.66</td>
</tr>
<tr>
<td>Kamrup</td>
<td>67034</td>
<td>44.97</td>
<td>116113</td>
<td>48.55</td>
<td>111790</td>
<td>42.58</td>
</tr>
<tr>
<td>Goalpara</td>
<td>3347</td>
<td>2.24</td>
<td>9634</td>
<td>4.13</td>
<td>13105</td>
<td>4.99</td>
</tr>
<tr>
<td>Assam</td>
<td>149037</td>
<td>222961</td>
<td>252510</td>
<td>305594</td>
<td>387276</td>
<td></td>
</tr>
</tbody>
</table>

of Cachar stands at a higher level than the two backward districts of Assam - N.C.Hills and Karbi Anglong. These two districts account for about Rs. 3 thousand and Rs. 566 thousand respectively. During the two years - 1973 and 1975 the credit outstanding in Cachar is about Rs. 3093 and Rs. 4093 thousand respectively. In the year 1976 the amount of outstanding Credit in Cachar is much higher than that of N.C.Hills and Karbi Anglong and it amounts to Rs. 4806 thousand. But in the district of N.C.Hills and Karbi Anglong the amount of outstanding credit is Rs. 3 thousand and Rs. 536 thousand respectively during the same period of time. During the years 1977 and 1980 the percentage of outstanding credit in this district has increased by about 245.4 in average. Consequently, Cachar exhibits a high growth rate in regard to its credit outstanding during the same period and in respect of fabulous growth of outstanding credit, Cachar occupies the highest position among five other districts of Assam, viz., Nowgong, Darrang, N.C.Hills, Karbi Anglong and Sibsagar in 1977 and Nowgong, Darrang, N.C.Hills Karbi Anglong and Goalpara in 1980.

From the above analysis it is obvious that there is an increasing trend in the credit outstanding in this district during 1973-80 and the rate of acceleration being abnormally high notwithstanding the fact that the district of Cachar lags behind the two advanced districts viz., Kamrup and Dibrugarh in respect of extending more credit facilities in this sector during the period under review. So the inference is that in Cachar the commercial banks have extended more credit facilities
in these years which have been proved to be inadequate in so far as the development of small scale industrial sector of the district is concerned.

7.3 : Commercial banks and their industrial advance in Cachar :

Out of a total of 12 commercial banks in the district all have taken part in the industrial sector. But in spite of such participation we notice a tone of indifference in their outlook. So it is imperative that some evaluation is to be done of the contribution of each bank in financing the industrial sector. A detailed picture indicating the position of each bank in respect of industrial finance is displayed in Appendix VI.

It is evident from the Appendix VI that the United Bank of India, the lead bank of the district has advanced about 8.5 P.C. of its aggregate advance in the industrial sector at the end of June, 1974. But after displaying a fluctuating trend the total advance in this sector has decelerated to 5.8 P.C. at the end of December, 1980 from June, 1974. Thus it appears that in average the bank has invested about 8.0 P.C. of its aggregate advance in the industrial sector of the district during the same period. This percentage is much too insignificant for a bank of the status of "lead bank" of the district.

The percentage for the same in average during the corresponding period as reflected by the Punjab National Bank, Allahabad Bank
and State Bank of India stands at 15.3 P.C., 16.9 P.C. and 20.2 P.C. respectively, while the contribution of other Commercial Banks viz., the United Commercial Bank, Central Bank, Federal Bank Ltd., Bank of Baroda, Indian Bank, Punjab and Sind Bank, Union Bank and Vijay Bank during the same period in average stands at about 7 P.C., 7.9 P.C., 3.9 P.C., 2.2 P.C., 5.7 P.C., 0.28 P.C., 3.5 P.C. and 8.9 P.C. respectively.

From the above analysis, we have a clear picture of the extent of advance made by the commercial banks in the sector of industry which is reflected in Table 7.3.

Table 7.3

<table>
<thead>
<tr>
<th>Name of the commercial banks</th>
<th>Average percentage from June 1974 to December 1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>20.2 P.C.</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>8 P.C.</td>
</tr>
<tr>
<td>United Commercial Bank</td>
<td>7 P.C.</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>15.3 P.C.</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>7.9 P.C.</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>16.9 P.C.</td>
</tr>
<tr>
<td>Federal Bank Ltd.</td>
<td>3.9 P.C.</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>2.2 P.C.</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>5.7 P.C.</td>
</tr>
<tr>
<td>Punjab and Sind Bank</td>
<td>0.28 P.C.</td>
</tr>
<tr>
<td>Union Bank</td>
<td>3.5 P.C.</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>8.9 P.C.</td>
</tr>
<tr>
<td><strong>Average per commercial banks</strong></td>
<td><strong>8.3 P.C.</strong></td>
</tr>
</tbody>
</table>

1 'Percentage is calculated on the basis of Appendix VI.'
AVERAGE PERCENTAGE OF THE TOTAL ADVANCE
OF COMMERCIAL BANKS IN CACHAR DISTRICT
IN THE INDUSTRIAL SECTOR FROM JUNE 1974
TO DECEMBER 1980

Fig. 15
From the Table 7.3 it is apparent that out of an aggregate advance of the commercial banks operating in the district, the extent of advance per bank in average towards the sector of industry is only 8.3 P.C. from June, 1974 to December, 1980. Hence we may draw the most rational conclusion that the role played by the commercial banks in the district of Cachar in the development of the industrial sector is disheartening to bring about any significant change in the industrial structure of the economy of the district.

7.4 Entrepreneurship Motivation Training Scheme in Cachar and the role of Commercial Banks

The Entrepreneurship Motivation Training Scheme has been sponsored by the Government of Assam in November, 1973. This scheme is being executed in six important centres, viz., Mongoldoi, Diphu, Jorhat, Dhemaji, Kokrajhar and Silchar. In Cachar the scheme has been initiated in 1974. The principal objective of the scheme is to motivate the unemployed youths for self-employment. Since 1974 the Entrepreneurship Motivation Training Centre (E.M.T.C.) at Silchar has started to recommend the cases of trained and educated unemployed persons of the age-group 15-35 of the district and refer them to the commercial banks for sanctioning loans to them, for the implementation

1 (a) Govt. of Assam - Planning and Development Department, Progress Report, March, 1978 - P 2.

of their viable projects, for which they have received training in the Entrepreneurship Motivation Training Centre. To help execution of the scheme, "Banks normally finance 80 P.C. of the cost of the project sanctioned by them, 10 P.C. is provided by the State Government as seed money bearing interest at a rate of 3.5 P.C. and the remaining 10 P.C. is the entrepreneur's stake."

Table 7.4 displays the working of the EMTC Silchar and the commercial banks as on the 30th September, 1977 and 31st March, 1981.

Table 7.4

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of entrepren</th>
<th>No of proposal</th>
<th>'No of cases sanctioned'</th>
<th>Number of cases recommended</th>
<th>Number of cases sanctioned pending</th>
<th>Number of cases recommended pending</th>
<th>Number of cases dropped</th>
<th>Number of cases sanctioned on the bank's behalf</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.9.77</td>
<td>608</td>
<td>417</td>
<td>215</td>
<td>122</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.3.81</td>
<td>948</td>
<td>588</td>
<td>286</td>
<td>75</td>
<td>226</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It appears from the table that till the end of September, 1977, the EMTC Silchar has trained 608 entrepreneurs and recommended 417 schemes to the banks for sanctioning loan. The number of Schemes sanctioned and awaiting sanction at their disposal are


(b) Govt. of Assam, Directorate of Manpower and Planning and Development Deptt. Progress Report, March, 1978 - P 5.
215 and 122 respectively at the end of September, 1977. The amount of loan and seed money paid by the EMTC on the corresponding date are Rs. 2,828.3 and Rs. 322.8 thousand respectively (Table 7.5). At the end of March, 1981 the number of entrepreneurs trained, proposals sponsored to the bank by the EMTC for financing and the number of proposals sanctioned by the banks have mounted by 55.9 P.C., 41 P.C. and 33 P.C. respectively from that of 30th September, 1977. The number of proposals pending with the banks at the end of March, 1981 is 75 P.C. On the same date, the amount of loan sanctioned by the banks and the seed money paid by the EMTC have increased by 52 P.C. and 47 P.C. respectively over that of September, 1977.

The Table 7.5 displays the activity of some commercial banks operating in the district, relating to their finance to the EMTC sponsored entrepreneurs at the end of September 1977.

Table 7.5

<table>
<thead>
<tr>
<th>Name of the commercial banks</th>
<th>Estimated cost of the project in Rs.</th>
<th>Sanctioned loan amount from each bank in Rs.</th>
<th>Seed money paid by the bank in Rs.</th>
<th>Percentage share of each bank to total finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>1,329.8</td>
<td>1,086.8</td>
<td>116.0</td>
<td>38.4</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>1,359.5</td>
<td>1,126.5</td>
<td>136.5</td>
<td>39.8</td>
</tr>
<tr>
<td>United Commercial Bank of India</td>
<td>450.3</td>
<td>400.0</td>
<td>46.7</td>
<td>14.1</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>146.1</td>
<td>139.9</td>
<td>15.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Central Bank</td>
<td>83.7</td>
<td>75.1</td>
<td>8.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Total</td>
<td>3,369.4</td>
<td>2,828.3</td>
<td>322.8</td>
<td>100</td>
</tr>
</tbody>
</table>

It appears from the table that the percentage share of finance of the UBI relating to the EMTC sponsored schemes is the highest i.e. 39.8 P.C. on the 30th September, 1977. The State Bank of India has contributed to the extent of 38.4 P.C.; on the same date the corresponding percentage of the U.Co. Bank, Punjab National Bank and the Central Bank is 14.1 P.C., 4.9 P.C. and 2.7 P.C. respectively.

Table 7.6 reflects a detailed account of the extent of physical progress of the EMTC Schemes of different commercial banks at the end of March, 1981.

<table>
<thead>
<tr>
<th>BANKWISE PHYSICAL PROGRESS OF EMTC SCHEME AT THE END OF MARCH, '81</th>
</tr>
</thead>
<tbody>
<tr>
<td>'No of cases'</td>
</tr>
<tr>
<td>total</td>
</tr>
<tr>
<td>United Bank of India</td>
</tr>
<tr>
<td>State Bank of India</td>
</tr>
<tr>
<td>U.Co. Bank of India</td>
</tr>
<tr>
<td>Punjab National Bank of India</td>
</tr>
<tr>
<td>Allahabad Bank</td>
</tr>
<tr>
<td>Central Bank of India</td>
</tr>
<tr>
<td>Bank of Baroda</td>
</tr>
<tr>
<td>Indian Bank</td>
</tr>
<tr>
<td>Union Bank of India</td>
</tr>
<tr>
<td>Federal Bank</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

1 Opct
This Table 7.6 shows that out of 286 proposals sanctioned by the commercial banks, about 61.2 P.C. of the total cases belong to the United Bank of India, while the State Bank of India accounts for about 26 P.C. of the aggregate number of EMTC sponsored proposals. The corresponding percentage of the United Commercial Bank, The Punjab Nation Bank, The Central Bank of India, The Bank of Baroda, The Indian Bank and the Union Bank of India is 7.3 P.C., 2.1 P.C., 1.4 P.C., 1.0 P.C., 0.7 P.C. and 0.3 P.C. respectively.

This table also reflects that 78 proposals have been withdrawn and 149 proposals dropped. The failure of the commercial banks to take interest in the proposed scheme has led to such withdrawals of loan proposals. Besides, the gross lack of initiative on the part of the commercial banks to materialise the schemes sponsored by the EMTC has also given rise to such undesirable consequences.

The over-all performance of the commercial banks over the EMTC sponsored proposals during the period of 7 years from 1974 - 1981 can not be considered encouraging. The EMTC is recommending normally the genuine cases of entrepreneurs to the commercial banks to sanction loans proposed. These recommendations also include the cases of qualified persons who are unemployed. But the attitude of the commercial banks is characterised by sheer procrastination and an apathy to keep liaison with the government agencies. Theoretically, commercial banks utter high sounding phrases about being liberal in their activities, though
in practice, they are only passive and conservative. Such passivity and conservatism of the commercial banks stand as great hindrances towards the economic development of the district.

7.5 : District Industries Centre (DIC), Sacher, Silchar:

"The administrative frame work that was conceived to promote decentralised development in the policy was setting up of District Industries Centre (DIC). The District Industries Centres came into operation since May, 1978. So far, 233 District Industries Centres have been approved. These centres would function at the district level for making available to existing and productive small scale entrepreneurs all necessary approvals and facilities under one roof."

In pursuance of the policy as reflected in the quotation above, the District Industries Centre has started its operation in Cachar on and from the 1st January, 1979 with the following objectives: (1) to ensure the future development of small scale industries (2) to identify the unemployed youths (3) to provide motivation training for the purpose of creation of entrepreneurial skill and managerial zeal among the prospective entrepreneurs, (4) to rehabilitate the unemployed technical personnel registered with the local Employment Exchanges in gainful employment, (5) to conduct detailed survey of tiny industries and handicrafts in the district, (6) to conduct motivation campaigns throughout the district where potentialities of tiny

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1 Commerce - Annual number, 1978 - P 291.
industries and handicrafts exist, and (7) to conduct seminars and exhibitions to make the people aware of the activities of the tiny industries and handicrafts.

From the 1st January, 1979 to the 31st March, 1981 the D.I.C. has conducted a number of detailed surveys for identifying the potential entrepreneurs and growth centres with enough potentialities for developing small industries and handicrafts and also pursued motivation campaigns and organised exhibitions in areas like Udharbond, Lakhipur, Kalain, Katigorah, Nilambazar, Patherkandi, Baraigram, Katlicherra, Lalabazar and other places all over the district. The physical achievement of the D.I.C. has been shown in Table 7.7.

7.6: The District Industries Centre Cachar and the Commercial Banks:

The DIC recommends the loan proposals of the small entrepreneurs to the commercial banks in the district for sanctioning loan. Table 7.8 displays the extent of loan proposals recommended by the DIC to the banks during the period 1979-1980.

This Table 7.8 reflects the bank-wise position of loan proposals recommended by the DIC, the loan sanctioned by the commercial banks, proposals awaiting disposal and the proposals turned down by the banks. The table shows that in the year 1979, the DIC has forwarded 16 proposals and in 1980, 14 proposals to the United Bank of India. In the year 1979, the loan proposals
Table : 7.7

PHYSICAL ACHIEVEMENT OF D I C CACHAR, SILCHAR

<table>
<thead>
<tr>
<th>Description of Work done</th>
<th>Period from 1.1.79 to 31.3.81</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Entrepreneurs identified</td>
<td>351 Nos.</td>
</tr>
<tr>
<td>No. of project profile prepared</td>
<td>166 Nos.</td>
</tr>
<tr>
<td>No. of Schemes prepared</td>
<td>311 Nos.</td>
</tr>
<tr>
<td>No. of S.S.I.Units registered</td>
<td>310 Nos. provision 123 Nos. permanent</td>
</tr>
<tr>
<td>No. of Units established</td>
<td>139 Nos.</td>
</tr>
<tr>
<td>Additional employment created</td>
<td>1121 Nos.</td>
</tr>
</tbody>
</table>

Financial Assistance given to S.S.I.:

1) From State Fund Rs. 482300
2) Financial Institutions Rs. 517481
3) D.I.C.Fund Rs. 502524
4) Grants-in-aid Rs. 30350

Raw materials allotted to SSI Units 145 Units.
Capital Sub-sidy sanctioned 15 Units.
Transport Subsidy sanctioned 6 Units.
Mire purchase on machinery 2 Units.
Training given in different trades 187 Nos (persons).
Other technical assistance given to SSI Units 157 Nos.
Conducted artisan meet and group discussion 49 Nos.
Intensive campaign exhibition 5 Nos.
Study tour 17 Nos.
Implement training 12 Nos.

\[\text{District Industries Centre, Cachar, Silchar - Progress report file.}\]
Table : 7.8

LOAN PROPOSALS OF REGISTERED SMALL SCALE UNITS SANCTIONED BY THE COMMERCIAL BANKS IN CACHAR, RECOMMENDED BY THE DISTRICT INDUSTRIES CENTRE, CACHAR, SULCHAR, DURING THE YEARS 1979 AND 1980

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Bank</td>
<td>16</td>
<td>14</td>
<td>266</td>
<td>280</td>
<td>4</td>
<td>5</td>
<td>52</td>
<td>74</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>State Bank</td>
<td>53</td>
<td>27</td>
<td>149</td>
<td>219</td>
<td>42</td>
<td>21</td>
<td>140</td>
<td>127</td>
<td>11</td>
<td>3</td>
<td>9</td>
<td>49</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>2</td>
<td>5</td>
<td>12</td>
<td>464</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>163</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Federal Bank</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>U. Commercial Bank</td>
<td>2</td>
<td>1</td>
<td>14</td>
<td>57</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>57</td>
<td></td>
<td></td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td></td>
<td>3</td>
<td></td>
<td></td>
<td>53</td>
<td></td>
<td></td>
<td>24</td>
<td></td>
<td></td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>Central Bank</td>
<td>2</td>
<td>2</td>
<td>119</td>
<td>25</td>
<td>1</td>
<td>1</td>
<td>45</td>
<td>17</td>
<td></td>
<td>1</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Punjab and Sind Bank</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>55</td>
<td>560</td>
<td>1077</td>
<td>49</td>
<td>33</td>
<td>249</td>
<td>462</td>
<td>13</td>
<td>9</td>
<td>21</td>
<td>118</td>
</tr>
</tbody>
</table>

1 (a) DIC, Cachar, Silchar, Loan Register (Bank Finance), 1979.
(b) Ibid - File No. CADIC(V) 2/79/80
involve Rs.266 thousand and in 1980, Rs. 220 thousand. But in 1979, only 4 proposals have been accorded sanction and in 1980, only 5. In 1979 the sanctioned amount is Rs.52,000, while that in 1980 is Rs. 74,000 only. It is also found that the year 1979, two proposals remain pending with the bank and the amount involved is Rs. 12,000, while in 1980 the number of proposals pending is also two involving Rs. 17,000. In 1979, 10 proposals involving Rs. 202 thousand and in 1980, 7 proposals involving Rs. 129 thousand have been turned down by the bank.

Out of a total 53 loan proposals sent by DIC to the State Bank of India in 1979, 42 proposals have been sanctioned involving Rs. 140,000, 11 proposals still remain pending and no proposal dropped. In 1980, 27 proposals have been recommended to the bank, of which 21 have received sanction, 3 have remained pending and 3 have been turned down. In 1980, the sanctioned proposals involve Rs. 127,000, the pending ones Rs.49,000 and the turned down proposals Rs. 43,000.

At the end of the year 1980 the DIC has recommended 7 loan proposals to the Punjab National Bank of which 2 are sent in the year 1979. The amount involved in these proposals are Rs. 12 thousand and Rs. 464 thousand in 1979 and 1980 respectively. Out of these only 1 proposal covering Rs. 6,000 has been sanctioned in 1979. In 1980, 4 proposals involving Rs. 163,000 have been accorded sanction. In 1979, 1 proposal covering Rs.6,000 and in 1980, 1 proposal covering Rs. 301 thousand have been dropped by the bank.
The table shows that at the end of the year 1980, Allahabad Bank and Federal Bank Ltd. have received one proposal each from the DIC: the amount involved in the proposal recommended to the Allahabad Bank is Rs. 5,000 and that to the Federal Bank Ltd. is Rs. 19,000 only. But neither of these two has been sanctioned.

At the end of 1979 and 1980 the number of loan proposals forwarded to the United Commercial Bank by the DIC is 2 and 1 involving Rs. 14,000 and Rs. 57,000 respectively. Out of these, in 1979 one proposal for Rs. 6,000 and one in 1980 for Rs. 57,000 have been sanctioned. At the end of 1979 one proposal involving Rs. 8,000 has been turned down by the bank.

At the close of the year 1980, 3 loan proposals of the small entrepreneurs for Rs. 53,000 have been sent to the Bank of Baroda, while only one proposal for Rs. 24,000 has been sanctioned by the bank. The other two proposals for Rs. 29,000 have been pending at the disposal of the bank in the year 1980.

The Central Bank of India has received 2 loan proposals from the DIC in 1979 and 2 in 1980. The proposals of 1979 involve Rs. 119 thousand and those of 1980 Rs. 25,000. Of these in 1979 one proposal covering Rs. 45,000 and in 1980 one covering Rs. 17,000 have been sanctioned by the bank. In 1979 the other proposal has been dropped and in 1980, one has remained pending with the bank.

The Punjab and Sind Bank has received only one loan proposal for Rs. 15,000 recommended by the DIC in the year 1980. Till the end of the year, the proposal lies awaiting the decision
of the bank.

The records of the DIC Silchar have revealed that non-compliance of the formalities by the entrepreneurs is the principal cause of some loan proposals being dropped. The Governmental agencies like DIC and EMTC opine that commercial banks keep the loan proposals pending for a long period of time, for lack of adequate technical staff to examine the viability of the projects proposed to be launched by the prospective entrepreneurs. Each and every step in the process of considering the loan proposals, the commercial banks have to stumble.

7.7 Target and achievement of the commercial banks in the industrial finance under District Credit plan:

The commercial banks in the district of Cachar have assumed a vital role in the development of the small scale industries. Under the scheme of the credit plan, the lead bank of the district has prepared the annual plan of action as a result of which the commercial banks operating in the district have fixed their target in the industrial sector. The records relating to the target available for the years, 1979, 1980 and 1981 indicating the achievements of the commercial banks in this sector have been shown in Table 7.9.

It is evident from the table that the aggregate credit target of the commercial banks in the industrial sector is about
<table>
<thead>
<tr>
<th>Banks</th>
<th>1979 Target Upto 31.12.79</th>
<th>Achievement Upto 31.12.79</th>
<th>Percentage of Achievement to Target</th>
<th>1980 Target Upto 30.9.80</th>
<th>Achievement Upto 31.12.80</th>
<th>Percentage of Achievement to Target</th>
<th>1981 Target Upto 31.12.81</th>
<th>Achievement Upto 31.12.81</th>
<th>Percentage of Achievement to Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Bank of India</td>
<td>12.00</td>
<td>3.60</td>
<td>30</td>
<td>10.83</td>
<td>2.19</td>
<td>20.2</td>
<td>14.80</td>
<td>5.70</td>
<td>38.5</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>8.00</td>
<td>5.37</td>
<td>67.1</td>
<td>7.73</td>
<td>1.90</td>
<td>11.5</td>
<td>9.40</td>
<td>2.47</td>
<td>26.2</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>1.00</td>
<td>1.66</td>
<td>166</td>
<td>1.89</td>
<td>0.10</td>
<td>9.2</td>
<td>0.55</td>
<td>28.8</td>
<td>69.0</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>4.00</td>
<td>3.08</td>
<td>75.5</td>
<td>1.29</td>
<td>0.34</td>
<td>41.8</td>
<td>80.6</td>
<td>1.59</td>
<td>198.7</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>1.00</td>
<td>1.72</td>
<td>172</td>
<td>0.67</td>
<td>1.07</td>
<td>103.7</td>
<td>80</td>
<td>60</td>
<td>75.0</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>1.00</td>
<td>1.72</td>
<td>172</td>
<td>1.69</td>
<td>1.72</td>
<td>133.3</td>
<td>80</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>United Commercial Bank</td>
<td>1.00</td>
<td>NA</td>
<td>-</td>
<td>1.29</td>
<td>NA</td>
<td>NA</td>
<td>80</td>
<td>.75</td>
<td>91.2</td>
</tr>
<tr>
<td>Punjab and Sind Bank</td>
<td>NA</td>
<td>NA</td>
<td>0.67</td>
<td>NA</td>
<td>NA</td>
<td>.40</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Yujiya Bank</td>
<td>NA</td>
<td>1.03</td>
<td>-</td>
<td>0.67</td>
<td>.54</td>
<td>50.7</td>
<td>.45</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Federal Bank Ltd</td>
<td>NA</td>
<td>0.15*</td>
<td>-</td>
<td>0.67</td>
<td>.60</td>
<td>39.5</td>
<td>.45</td>
<td>.65</td>
<td>144.4</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>1.00</td>
<td>NA</td>
<td>1.29</td>
<td>NA</td>
<td>-</td>
<td>.45</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>1.00</td>
<td>0.36</td>
<td>36</td>
<td>0.67</td>
<td>.22</td>
<td>32.8</td>
<td>.45</td>
<td>.60</td>
<td>133.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30.00</td>
<td>16.63</td>
<td>62.1</td>
<td>25.20</td>
<td>7.68</td>
<td>27.2</td>
<td>30.15</td>
<td>12.72</td>
<td>42.1</td>
</tr>
</tbody>
</table>

* Figure upto September 1979

1. UBI's Development Office (Lead Bank, Cachar), 23rd, 26th DLCC Meeting's proceedings File.
2. UBI's Annual Action Plan 1982, p 9
3. NA: Not Available.
Rs. 30 lakhs in 1979. Out of this the actual achievement at the end of the year covers about Rs. 18.63 lakhs or about 62.1 PC of the target. The percentage of actual achievements at the end of September, 1980 and December, 1981 is 27.2 P.C. and 42.1 P.C respectively. Thus in aggregate a fluctuating trend is noticeable in respect of achievement to target by the commercial banks in the district in the sector of industries.

The table shows that the percentage of achievement of the United Bank of India the lead bank Cachar is 30 P.C., 20.2 P.C. and 38.5 P.C. at the end of December, 1979, September, 1980 and December, 1981 respectively. The State Bank of India has achieved 67.1 P.C., 11.5 P.C., and 26.2 P.C. on the corresponding dates. The percentage of achievement of the Central Bank of India on the same dates stands at 166 P.C., 9.2 P.C. and 69 P.C. respectively. The Punjab National Bank reflects its percentage of achievement at 75.5 P.C., 41.8 P.C. and 198.7 P.C. on the corresponding dates. The Union Bank of India in December, 1979 has achieved 172.0 P.C. of the target of industrial finance, while in September, 1980 and in December, 1981 the percentage has gradually declined to 153.7 P.C. and 75 P.C. respectively. The corresponding percentage of achievement of Allahabad Bank is 172.0 P.C., and 133.3 P.C. at the end of December, 1979 and September, 1980. The United Commercial Bank shows its percentage of achievement at 91.2 P.C. at the end of December, 1981. At the end of September, 1980 the Vijaya Bank has shown its percentage of achievement in this sector at 50.7 P.C. The Federal Bank
has reflected its percentage of achievement at 89.5 P.C. and 144.4 P.C. at the end of September, 1980 and December, 1981, while the Indian Bank has shown the percentage of achievement to target in this sector at 36 P.C., 32.8 P.C. and 133.3 P.C. at the end of December, 1979, September, 1980 and December, 1981 respectively.

It appears from the table that the target for industrial finance of ten Commercial Banks excluding the State Bank of India and the United Bank of India have been fixed within a very narrow range - Rs.0.40 lakh to Rs. 4 lakhs for the year 1979, 1980 and 1981, notwithstanding the fact that, all the banks have not been able to achieve it. The achievement of target by the United Bank (Lead Bank of Cachar) is much surprising. Only three banks viz., the Central Bank of India, Union Bank of India and Allahabad Bank have achieved their target of industrial finance in the year 1979, while in the subsequent year 1980 the Central Bank of India has miserably failed to achieve the same. During the same year all the banks excluding the Union Bank of India and the Allahabad Bank have failed to achieve the target in spite of fixing the same at a very low level. The fixation of target during the year 1981 shows a declining trend over that of the year 1979 excluding the United Bank of India and State Bank of India. Still all the commercial banks excluding the Punjab National Bank, Federal Bank Ltd and the Indian Bank have failed to achieve the target.

The trend of the commercial bank's efforts in respect of the industrial finance reveals that there is marked lack of interest
and consequent inertia in the bank functionery which have been reflected in the extent of their achievements. Besides, there is the absence of uniformity in the extent of target fixed by the different banks at the optimum point. The fixation of the target on a lower level restricts the scope of investment in the district and withdrawal of funds sometimes becomes inevitable from within the district.

Field survey:

The Researcher has undertaken a survey of 50 small scale industries of the district of Cachar in order to make an assessment of the role of commercial banks in the growth of the industrial sector of the district. The principal objective of such survey is to show to what extent commercial banks have helped in the industrialisation of the district.

The industries, that have been sampled out for survey are of various types and these truly represent the general character of industries in the district. The survey has been conducted in respect of small scale industries only, because in Cachar, large scale industries are almost non-existent barring a few.

The survey comprises the nature of the industries surveyed, the extent of bank finance received, total amount of capital investment, aggregate annual value of production and also employment potentials created in the industries where bank finance has been utilised and the industries where no bank finance invested. All these have been reflected in Table 7.10.
### Table 7.10

**INDUSTRIES SURVEYED TILL DECEMBER, 1981, DEVELOPING WITH AND WITHOUT BANK FINANCE**

<table>
<thead>
<tr>
<th>Nature of the Industries</th>
<th>'Industries' surveyed with bank</th>
<th>'Industries' surveyed without bank</th>
<th>Developing with and without bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat, paddy, flour, chira, oil seeds crushing and spices grinding Mill</td>
<td>9</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Printing works</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing of Exercise Books</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Plywood manufacturing and dealing in sawn timber</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing of Electrical Hard wire, wire nails, and wire drawings</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing of Hume pipe</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of Ice products</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of Agar Oil</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Bakery-Biscuit, cakes etc. (factory)</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of soap, candle etc.</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing of printing blocks</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of Mosaic tiles</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of polythene and Plastic products</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of shoes and leather products</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of cane furniture</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of paraffin wax</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of Alluminium products</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Zeroxing and Phostat works</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of Umbrella and Bamboo Umbrella handle</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Resoling and volcanising works</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Book Binding, manufacturing of Registers, ledgers and cash book etc.</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of Readymade garments</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing of Textiles</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Fabrication works</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing of Alum, Sulphuric acid and distilled water</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>20</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

1 Field Survey.
Table 7.10 indicates that out of the 50 cases observed, only 20 have received financial assistance from the commercial banks and the remaining 30 industries have not received any. That means 40 P.C. of the aggregate number of industries surveyed have received financial assistance from the commercial banks till the close of the year 1981. The Table 7.11 indicates the total amount of capital invested and the aggregate annual value of production of these 50 industries surveyed.

Table : 7.11

TOTAL VALUE OF CAPITAL INVESTED AVERAGE ANNUAL VALUE OF THE PRODUCT AND THE TOTAL EMPLOYMENT POTENTIAL OF THE INDUSTRIES SURVEYED

<table>
<thead>
<tr>
<th>Industries surveyed</th>
<th>No of Industries</th>
<th>Amount in thousand of Rs</th>
<th>Total value of capital invested</th>
<th>Aggregate annual value of the product</th>
<th>Total employment potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>With bank finance</td>
<td>20</td>
<td>1761</td>
<td>1912</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td>Without bank finance</td>
<td>30</td>
<td>4021</td>
<td>4060</td>
<td>365</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>5782</td>
<td>5972</td>
<td>501</td>
<td></td>
</tr>
</tbody>
</table>

It is observed from the table that till the end of December, 1981 the total amount of capital invested by these 50 industries and their aggregate annual value of production are Rs.5782 thousand and Rs.5972 thousand respectively. Total employment opportunities provided by them is 501 on the same date. The 20 industries

1 Field Survey.
that have received financial assistance from the banks have invested Rs. 1761 thousand as capital, while the gross annual value of products is Rs. 1912 thousand. Those 30 industries that run without any financial support from the commercial banks have Rs. 4021 thousand as capital investment and Rs. 4060 thousand as the gross value of products. The employment potentials for the 20 Units running with bank assistance are 136 and those for other 365 on the same date.

The survey reveals that the commercial banks have failed to bring about any noticeable change in the industrial economy of the district till December, 1981.

A few intensive and also illustrative case studies that conducted by the researcher have been furnished below to show the disheartening achievements of the commercial banks in the industrial sector of the district.

7.8.1 Case study

Eastern Chemicals Ltd (Estd 1968) : - This industry owing its inception in 1968 at Silchar is a small scale industry and the commodities produced by the unit are distilled water and sulphuric acid primarily consumed in charging battery used by the different types of automobiles in the district.

The owner of the industry is a Bachelor of Engineering and trained under Entrepreneurship Motivation Training Centre at Silchar. Being assisted by one Assistant the entrepreneur has first started the production of distilled water and sulphuric
acid. In the year 1977 the industry has received a financial assistance to the extent of Rs. 60,000 from the Central Bank of India of which Rs. 30,000 account for term loan for purchasing machinery and Rs. 30,000 for working capital. In the same year the bank finance has covered about 80 P.C. of the total capital investment of the industry. Till the end of December, 1981, the total investment has shot up to about Rs. 130,000 of which bank finance accounted for 69.2 P.C. (i.e. Rs. 90,000).

The real impact of bank finance on the industry has been noticed only from the middle of the year 1980 when the number of people employed in the industry has increased to 7 and the industry has commissioned production of a new item like alum in the list of items to be produced. Alum is primarily used by the public Health Department of the district which will find a wide market if Cachar Paper Mill comes into operation.

The total capital investment and annual gross value of the product, the total net profit of the industry and the number of persons employed there have been reflected in Table 7.12.

From the table it appears that the industry has started its operation since 1968 with a total capital investment of Rs. 10,000 and the capacity of producing goods worth about Rs. 20,000 per year. The persons employed during the same year are only 2, while the extent of profit amounts to Rs. 7,000. The total investment has increased by about Rs. 5,000 during 1976 from the own resources of the entrepreneur. Consequently the gross value of products and the net profit have enhanced by
Table: 7.12

ACTIVITIES OF EASTERN CHEMICALS FROM 1968 TO 1981

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital investment (Rs)</td>
<td>10,000</td>
<td>10,000</td>
<td>15,000</td>
<td>75,000</td>
<td>75,000</td>
<td>75,000</td>
<td>100,000</td>
<td>130,000</td>
</tr>
<tr>
<td>Gross value of the products (Rs)</td>
<td>20,000</td>
<td>25,000</td>
<td>35,000</td>
<td>40,000</td>
<td>45,000</td>
<td>50,000</td>
<td>150,000</td>
<td>200,000</td>
</tr>
<tr>
<td>No of people employed</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Net profit (Rs)</td>
<td>7,000</td>
<td>7,000</td>
<td>8,000</td>
<td>9,000</td>
<td>9,000</td>
<td>9,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

1 Field survey
about Rs. 10,000 and Rs. 1,000 respectively from that of the year 1975 though the employment capacity remains the same.

The year 1977 shows a change in respect of total investment of the industry. This year, the industry has been sanctioned a loan of Rs. 60,000 by the Central Bank of India and the total investment becomes almost five times more than that of the preceding year. This has effected an increase in the annual gross value of products and the net profit by about 14.2 P.C. and 12.5 P.C. respectively over the previous year. But the capital investment has increased by about 400 P.C. with the financial support from the bank. It is observed that there is no change in the employment capacity of the industry, nor is the marked trend of increase in the gross value of the product, generates much hope in this year and continued till the end of the year, 1979.

In the year 1980 the employment capacity shows some change when it has increased to 7. This may be considered an outcome of the bank's participation in the industry by providing finance. At the end of the year, 1980, the gross value of the product and the net profit of the industry have gone up by 328.5 P.C. and 212.5 P.C. respectively over the year 1976. At the end of 1981 the extent of bank finance amounts to Rs. 90,000 and the total capital investment of the industry comes to Rs.130,000 including the entrepreneur's own contribution of Rs.40,000 in the industry. The aggregate gross value of the product has increased by about Rs. 50,000, while the employment capacity and the net profit have remained the same as in 1980.
Thus we find that the industry has received bank finance for the first time in 1977 and till 1979, the gross value of the product has increased by about 25 P.C. while the number of employees and the extent of net profit have not undergone any significant change in spite of the enhancement in the total capital investment in the industry. The impact of participation of the commercial bank in the case of this industry has been conspicuous only at the end of the year 1980.

R.K. Textile Industry - Badarpur (Estd 1973)

This industry is also a small scale industry established in June 1973 under the ownership of an entrepreneur with a degree of Master of Science in Chemistry. The Industry produces textile commodities like dhotis, saris and markin etc. The industry has commissioned its existence with finance from ASIDC and the State Bank of India as fixed and working capital respectively in the year 1973. In 1978 the ASIDC's and the entrepreneur's own contribution towards the industry accounts for Rs. 50,000 and Rs. 20,000 respectively. At the end of December, 1978 the total capital investment in the industry has gone up to Rs.1,70,000.

The industry has started its existence with an installed capacity of Rs.4,50,000 annually and absorbed 9 persons in 1973. The installed capacity of this industry has shot up to Rs.9,00,000 and employment capacity to 14 persons in 1978 when the additional capital investment came from the ASIDC and the entrepreneur himself. Till December, 1981, there has been no
change in the picture. The detailed report has been furnished in the Table 7.13.

There can be no denying the fact that bank finance has brought about some significant changes in this case.

From this Table 7.13 it is found that the bank finance has surely helped progress of the industry in question, because it is the working capital from the State Bank of India that has enabled the entrepreneur to start the industry in 1973. In the year 1973 (December) the gross value of the products is Rs.1,50,000 and the net profit Rs.4,500. At the end of December, 1981 the corresponding figures are Rs.6,50,000 and Rs. 24,000 respectively. Total employment capacity has gone up to 14 at the end of December, 1981 from that of 1973. In terms of percentage, the average growth of gross value of products and net profit are 333 P.C. and 433 P.C. respectively from 1973 to 1981, while the employment capacity has gone up at the rate of 55.5 P.C. during the same period.

The ratio of capital contribution to the industry is; ASIDC 59 P.C.; State Bank of India 29 P.C. and the entrepreneur's self contribution 12 P.C. approximately. Here we find that in respect of growth of this industry, commercial bank's contribution is laudable, though for the total growth of the Unit, it can not be said to be adequate. Because ASIDC has also played a significant role for the development of this Unit.
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</thead>
<tbody>
<tr>
<td>Total capital investment (INR)</td>
<td>1,00,000</td>
<td>1,00,000</td>
<td>1,00,000</td>
<td>1,00,000</td>
<td>1,70,000</td>
<td>1,70,000</td>
<td>1,70,000</td>
<td>1,70,000</td>
<td></td>
</tr>
<tr>
<td>Gross value of products (INR)</td>
<td>1,50,000</td>
<td>2,00,000</td>
<td>2,50,000</td>
<td>3,00,000</td>
<td>4,00,000</td>
<td>4,50,000</td>
<td>5,00,000</td>
<td>6,00,000</td>
<td>6,50,000</td>
</tr>
<tr>
<td>Employment</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Net profit (INR)</td>
<td>4,500</td>
<td>6,000</td>
<td>7,500</td>
<td>9,000</td>
<td>16,000</td>
<td>18,000</td>
<td>20,000</td>
<td>24,000</td>
<td>24,000</td>
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1 Field Survey
Paul Tyres, Silchar (Estd July, 1975)

The Paul Tyres, a small scale industrial unit was established in the year 1975 with the objectives of resoling and volcanising old worn out tyres at Silchar. The entrepreneur has another business unit of hardware in the vicinity. He is being assisted in its business by his brothers. The facts, revealed by the survey has been furnished in Table 7.14.

The Table 7.14 reveals that initially a capital of Rs.5,000 has been invested in the industry, the whole amount being advanced by the Punjab National Bank in 1975. In the year 1976 Assam Small Industries Development Corporation (ASIDC) has contributed Rs.30,000 for purchasing fixed capital to be installed in the industry. In the years 1977 and 1979 the Punjab National Bank has contributed a working capital of Rs. 10,000 and Rs. 18,000 respectively towards the Unit on Cash credit basis. Such contributions have made the total capital investment of the unit shot up to Rs.63,500 at the beginning of the year 1980. So, in the total capital investment in 1980 the Punjab National Bank's contribution is about 52.7 P.C. The gross value of the product and the net profit have increased by about 87.5 P.C. and 166.6 P.C. respectively during the same period. While the employment potential during the same span of time, has increased from 2 to 4.

The Punjab National Bank has played a significant role in so far as the development of this industry is concerned though full credit for the development can not be attributed to it. The
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</thead>
<tbody>
<tr>
<td>Aggregate capital investment (Rs)</td>
<td>5000</td>
<td>35000</td>
<td>45000</td>
<td>45000</td>
<td>45000</td>
<td>63500</td>
<td>63500</td>
</tr>
<tr>
<td>Gross value of products (Rs) 8000</td>
<td>9000</td>
<td>10000</td>
<td>12000</td>
<td>13000</td>
<td>15000</td>
<td>15000</td>
<td></td>
</tr>
<tr>
<td>Employment Capacity</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Net profit (Rs)</td>
<td>6000</td>
<td>7000</td>
<td>7000</td>
<td>7000</td>
<td>10000</td>
<td>16000</td>
<td>16000</td>
</tr>
</tbody>
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1 Field Survey.
ASIDC has also extended about 47.3 P.C. of its capital investment. Besides, the credit received by the industry in question from the Punjab National Bank has not been fully utilised by the concern.

It has also been learnt from the owner that 75 P.C. of the bank finance has flown to the hardware unit owned by the same entrepreneur, which lies in the neighbourhood, because the hardware unit has proved to be more remunerative than the Paul Tyre and Co.

This also shows the negligence of the Punjab National Bank to examine the viability of the project and also the gross lack of follow up measures and supervision of credit. Had, the bank finance been properly utilised greater development of the industry could have been effected. This type of faulty attitude will surely jeopardise the prospects of industrial sector in the district of Cachar.

IV. Silchar Leather Works (Estd. August, 1978):

It is a small scale industry located at Silchar town and established in the year 1978. It manufactures varieties of footwear, leather bags and also leather products on small scale. The entrepreneur is a qualified technician in leather technology. The industry has also been registered under District Industries Centre.

Initially a capital of Rs. 5,000 was invested by the entrepreneur himself with an employment capacity of 2 workers and the estimated installed capacity of producing goods worth about Rs. 20,000
265

per annum.

The actual productive capacity, employment potentials, net profit made during 1978-1981 and the participation of the commercial banks in the activities of the unit have been shown in Table 7.15 below:

Table: 7.15


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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate capital investment (Rs.)</td>
<td>5000</td>
<td>15000</td>
<td>17000</td>
<td>17000</td>
</tr>
<tr>
<td>Gross value of products (Rs.)</td>
<td>15000</td>
<td>25000</td>
<td>30000</td>
<td>30000</td>
</tr>
<tr>
<td>Employment capacity</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Net profit (Rs.)</td>
<td>5000</td>
<td>6000</td>
<td>8000</td>
<td>8000</td>
</tr>
</tbody>
</table>

This table shows that in 1979 the total capital investment of the industry has increased by Rs.10,000 because of the participation of Indian Bank in the industry in providing the financial assistance of Rs.10,000 on cash credit basis. During the year 1980, District Industries Centre has extended Rs.2,000 as subsidy and consequently, the total investment of the industry has gone up to Rs.17,000. Until December, 1981 the same amount stands at aggregate investment. It has been learnt that at present, the entire capital investment has its origin in the same bank and flows to the unit

1 Field survey.
Fig. 21 - Eastern chemicals. The researcher interviewing an artisan.

Fig. 22 - Silchar Leather Works. The craftsmen busy with their tools.

Fig. 23 - Mosaic Tile Factory. The researcher interviewing the proprietor.

Fig. 24 - The researcher observing demonstrations of tile manufacturing machine.
on cash credit basis but the bank finance can not be said to be adequate to meet the actual demands of the unit.

The trend of growth of annual gross value of the product and the employment capacity of the industry shows that they have been doubled from 1978 (December) to 1981 (December), while the capital investment has become more than triple during the same period. Still, the net profit has not increased at the same rate during this period. The entrepreneur feels that the extent of capital investment is inadequate, and repeated requests to the bank for more finance have been turned down and this stands in the way of further growth of the industry.

V. The Chaitanya Plastic and Polythene Industries (Estd 1979)

This Small Scale Industry is located at Rongpur on the bank of the river Barak in Silchar Sub-Division. The industry came into existence in the early part of 1979 with an initial capital investment of about Rs.2,00,000 and the installed capacity of Rs. 1,5 lakhs per year and the employment capacity of 7 workers.

The industry started functioning with a loan of Rs. 140,000 from the State Bank of India, Silchar, out of which Rs. 80,000 was provided on cash credit basis and Rs.60,000 on term loan basis. The industry produces polythene products of various types - bags, sheets etc. that find their market in the district itself.

The extent of its capital investment, gross value of the products, employment potentials and net profit of the unit have been
reflected in the Table 7.16.

Table 7.16

WORKING OF THE CHAITANYA PLASTIC AND POLYTHENE INDUSTRIES AT THE END OF DECEMBER (FROM 1979 TO 1981)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate capital investment (Rs.)</td>
<td>200000</td>
<td>200000</td>
<td>200000</td>
</tr>
<tr>
<td>Gross value of the product (Rs.)</td>
<td>100000</td>
<td>120000</td>
<td>120000</td>
</tr>
<tr>
<td>Employment capacity</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Net profit (Rs.)</td>
<td>15000</td>
<td>20000</td>
<td>25000</td>
</tr>
</tbody>
</table>

This table reveals that till December, 1981 the total capital investment does not show any change since inception of the unit. Out of the total investment, the bank has provided about 70 P.C. while the contribution from the entrepreneur provides the remaining 30 P.C. The employment opportunity also has not widened up. The gross value of the products of the industry has increased by 20 P.C., and the net profit by 66.6 P.C. from the end of December, 1979 to the end of December, 1981. Notwithstanding the fact that a considerable amount has advanced by the bank, the industry has failed to show any better scope for employment.

The entrepreneur owns another Printing Works Industry in Silchar town, which was established in 1957. The present capital investment of the industry amounts to Rs. 5 to Rs. 6 lakhs and

1 Field Survey.
approximately. It has provided employment to 20 workers. It can easily be inferred that because of a very keen competition among the industries producing polythene articles, the Chaitanya Plastic and Polythene industry has become less remunerative than the printing works. So, a lion's share of the bank finance for polythene industry has been diverted to the printing works industry. As a matter of fact the main objective of the bank loan has been failed. Absence of an efficient net work of follow up services and supervision of the credit thus stands in the prosperity of an industry though on small scale basis. The commercial banks should create an efficient system for follow up services.¹

7.8.2: Some other observations:

I. Block manufacturing Industry:

It has been found that out of 20 industries where finance from the bank has entered into, one unit, manufacturing printing blocks has ceased functioning though the capital of Rs.150,000 exclusive of the bank finance of Rs.24,000 has been invested in the industry. This industry is owned by a political leader who possesses no specialised knowledge of industry or technical skill. The bank loan has been sanctioned to him mainly on political pressure. The industry has also received subsidy from

¹ RBI - Report of the study Group to frame guidelines for follow up of bank credit - P 40.
ASIDC. The commercial bank has sanctioned the money without examining the viability of the project. Such investments involve greater risk of non-realisation of loan money from the entrepreneur. Such wasteful investment also seals the doors of other prospective entrepreneurs towards receiving loans from the bank for industrial purposes.

II. Hand made printing Block Manufacturing Industry:

The case of a more prospective entrepreneur needs mention here. It is a small scale industry, namely the Graphic Industry producing handmade printing block and dice printing. It is a pioneer industry functioning since 1980 in the district of Cachar. The owner is a qualified printing technologist from a recognised institution in West Bengal.

The initial capital investment in the industry is Rs. 5,000 from the entrepreneur himself. The United Bank of India has sanctioned Rs. 16,700 as term loan for purchasing machinery for the industry. The initial employment is only one person who is the entrepreneur himself. But within a very short span of time, that is, by the end of 1980 the employment potential has extended to 3 workers, while the annual gross value of the product of the industry amounts to Rs. 15,000 approx. and the net profit for the year ending in December, 1980 stands at about Rs. 10,000.

The industry bestows a glorious prospect because it is the only one of its kind, the other industry of the same category as it
has been mentioned earlier, has ceased functioning though it received its working capital and term loan from a commercial bank and also other sources like D.I.C. and A.S.I.D.C.

It is also found that this graphic industry is in urgent need of more finance for working and fixed capital if it is to meet the growing demands of the printing presses of the district. In spite of repeated requests for bank finance, there has yet been no effect. The reason seems to be that the bank concerned has failed to realise the prospects of the industry because no qualified technical staff is there to examine the viability of the project. It is deplorable that such sincere and prospective industrialists have failed to attract the attention of the commercial banks towards them as the fittest case for advancing finance.

The above mentioned two industries show how ineffective can the bank finance be. One exerts all efforts to become prosperous, but the entrepreneur is not helped by the bank authorities by providing finance and consequently, lack of finance stands as the most serious hurdle for it to overcome. But the other fully equipped with financial assistance has failed miserably to bring about any significant change in the industrial sector mainly because of non-utilisation of finance, and absence of proper investment.

The role of commercial bank as made obvious by the observation is quite disheartening. Its principal error consists in the fact that the viability of the project is never checked by the banks. In one case, viability is proved by the achievements of the
entrepreneur but finance is inadequate and commercial banks have remained inert to help the entrepreneur. In the other case, viability of the project is doubtful, still finance has flowed in from different sources which surely may be called bad investment. Such investments show that the commercial banks in question have acted rather blindly in entertaining such loan proposals.

III. Mosaic Tile Factory:

There is one small scale industry, namely Mosaic Tile Factory. This pioneer industry of the district is located in the outskirts of Silchar town producing designed mosaic tiles. The total capital investment of the industry amounts to Rs. 60,000 (approximately) at the end of December, 1980, out of which bank finance covers only about Rs. 15,000, that is 25 P.C. of the aggregate investment. The proprietor is a skilled Rajmistry who owns some agricultural land. At the time of investigation, the industry is found to be closed. The proprietor says that lack of finance has led to this temporary closure, and he hopes to re-open it on receiving second loan from the bank. As a matter of fact, a part of the loan already received has been invested in agricultural work. Still it can be said that the loan of Rs. 15,000 from the bank seems to be inadequate, it retards the prospect of the industry for the development of which loan was extended and it has led to diverting the amount to other channels. All these stand as great obstacles to the promotion of this industry in the district.
Out of the 20 industries surveyed by the researcher, where bank finance has been invested, about 5 have diverted the funds to other business purposes. Such malpractice on the part of the entrepreneurs hinders the original purpose towards which funds have been extended. Such diversion may be said to have resulted from sheer negligence of the commercial banks to take recourse to any follow up measures over the utilisation of the money by the borrowers. It has again been found that 5 out of the 20 borrowers are satisfied with the activities of the bank. They have received their total working capital from the commercial banks on the cash credit basis. To the other 15 borrowers the commercial banks have extended the financial assistance as term loan i.e. for buying machinery, tools, etc. and such financial assistance seems to be much insignificant covering only a small percentage of their aggregate capital investment. That means in such cases, the scope of diversion of the bank finance is limited, while in the case of loans issued on cash credit basis the scope of diversion seems to be unlimited.

7.8.3 Industries functioning without bank finance:

Out of 50 industries surveyed by the researcher, 30 are found to be functioning without any assistance from the commercial banks. Among these 30 entrepreneurs, some have approached the commercial banks once or more than once for loan, but their proposals have been turned down. In a very few cases, the entrepreneurs have been enlightened as to the reason for such dismissal of proposals. However, the facts revealed from the
survey have been displayed in the Table 7.17.

### Table 7.17

POSITION OF 30 SMALL SCALE INDUSTRIES SURVEYED FUNCTIONING WITHOUT BANK FINANCE IN CACHAR

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Number of Units</th>
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<tbody>
<tr>
<td>No. attempts made for bank finance</td>
<td>10</td>
</tr>
<tr>
<td>Attempted for bank finance one and rejected</td>
<td>10</td>
</tr>
<tr>
<td>Attempted for bank finance twice and rejected</td>
<td>5</td>
</tr>
<tr>
<td>Attempted for bank finance thrice and rejected</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
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It appears from the table displayed above that out of 30 small scale units, 10 units never have sought for bank finance. From the standpoint of economic development of the district, the contribution from these 10 units seems to be very great.

In the total capital investment and the gross value of products of the 50 units surveyed the contributions of these 10 units are about 18.8 P.C., and 16.1 P.C. respectively. In so far as the employment opportunities are concerned, these 10 units provide about 20 P.C. of the total employment provided by these 50 units. Besides, those 30 units that are functioning without bank finance in the district contribute about 71.2 P.C. and 67.9 P.C. of the

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1 Field Survey
total investment and the aggregate gross value of the product of these 50 units surveyed. Also these 30 units provide about 73 P.C. of the aggregate employment opportunities provided by these 50 units. So it may be said that the impact of finance of the commercial banks in the development of the industrial sector and the self employed persons in Cachar is far from being significant.

7.8.4 : Findings of the survey:

The worker has conducted the survey of 50 small scale industrial units of the district in order to assess the actual impact of commercial banking in the industrial sector. The following important findings will show how far bank finance in the district has been able to promote the industrial development of Cachar.

I. The contribution of commercial banks may be said to be traceable in respect of 20 units only out of 50 units surveyed and the remaining 30 are functioning without any assistance from the commercial banks.

II. Out of these 20 units financed by the bank, only 5 units have received the financial assistance to a reasonable extent on cash credit basis.

III. Very little has been achieved by the units running with bank finance in respect of their productive capacity, employment potentials and extent of net profit. These units (excepting a few) have accomplished almost nothing in respect of industrial
growth of the district.

Of these 20 units, 5 have diverted the bank finance to channels other than those for which the loan has been received from the bank. Such diversion has caused serious obstacle towards the industrial development in the district.

In 75 P.C. of the cases, viability of the project has not been examined by the bank before sanctioning the loan, though it would have resisted the diversion of finance by the loanee.

In 90 P.C. of the cases the nature and extent of follow up measures and supervision of credit by the banks are far from being satisfactory. As a matter of a fact in almost all the cases proper utilisation of bank finance has not been made and the industries have not met with any significant achievement. But scientific supervision by the commercial banks can help the inexperienced entrepreneurs with guidelines for functioning.

The contribution of 20 units functioning with bank finance is meagre in comparison to that of the units functioning on their own. These 30 units, as it has been already mentioned contribute about 71.2 P.C. of the total capital investment, and 67.9 P.C. of the gross value of products and 73 P.C. of the total employment and that show their contribution is significantly high.

The commercial banks' activities are vitiated by delay in processing the loan application, sanctioning and issuing credit in Cachar. Besides, it appears that the commercial banks are
reluctant to part with reasons as to why a proposal can not be entertained.

Bank finance seems to be grossly inadequate and partial in 90 P.C. of the cases receiving it. It has caused serious difficulties in the unimpeded functioning of these industries. The inadequacy of the loans also points to the incapability of the banks in identifying the reliable and prospective projects and managerial incompetence to judge the viability of the projects.

"It would be advisable for the banker to keep in mind that appraisal of management may be essential particularly as we place a new emphasis on viability and development rather than on security alone." ¹

¹ RBI - Report of the study group to Frame Guidelines for follow up of Bank Credit - P 45.
PART FOUR

CHAPTER 8

SUMMARY CONCLUSION

AND

SUGGESTIONS

BIBLIOGRAPHY AND APPENDICES
CHAPTER 8

SUMMARY CONCLUSION AND SUGGESTIONS

BIBLIOGRAPHY AND APPENDICES

This chapter summarises the findings of the preceding chapters and contains suggestions and conclusions based thereon.

CHAPTERWIDE SUMMARY

CHAPTER 1

Introduction:

In this chapter, a general discussion of all the conditions of commercial banking in the district including the expansion of branches in Cachar in comparison with other districts in the state of Assam and other states and Union Territories of the North Eastern Region has been made. The trend of deposit and credit mobilisation in the districts of Assam and other states and Union territories and the N.E. Region has also been focussed and the position of the district of Cachar has been highlighted. From the analysis it has been revealed that despite considerable expansion of bank branches and the increase in the trend of deposit and credit mobilisation, the growth in respect of relative terms, i.e. reduction of population per bank office and credit deposit ratio as compared to the state of Assam and India as a
whole seems to be inadequate. The overall picture of credit deposit ratio shows that during the period from December, 1971 to June, 1980 the district of Cachar has failed to compete with two more advanced districts of Assam - Kamrup and Dibrugarh. It has also been revealed that commercial banks in Cachar did not extend adequate credit facilities as they did in Manipur and Tripura in the N.E. Region. The analysis reveals that during the period 1978-1980 the commercial banks have invested about 29 P.C. of the aggregate deposit in average within the district. This chapter also detects the factors hindering the growth of banking in Cachar and reflects the operation of the Lead Bank Scheme in the district.

CHAPTER 2

Economic Profile of the District:

In this chapter the whole economic structure including the early history of the district in a nutshell has been discussed. In course of discussion a detailed account of the natural resources, climatic conditions, human resources indicating their occupationwise distribution and income, agriculture and allied activities, fishery, animal husbandry and poultry, horticulture etc. has been presented.

A precise review of IADP programme has also been included in the discussion. The chapter reflects the inadequate facilities of infrastructure and industrial status of the district. Attempts
have also been made at studying the district in the context of the state of Assam. From the discussion in this chapter it is obvious that the district is economically backward primarily because of its lacking in infrastructural facilities.

CHAPTER 3

Origin and growth of commercial banking in India:

In this chapter attempts have been made at tracing the origin and growth of commercial banking in India. The origin of the commercial banking in some developed countries as a background of Indian banking structure has also been traced. The early history indicating the classification and functions of commercial banks in India and their gradual growth has been included within the scope of discussion. Intensive attempts have been made at tracing out the growth in terms of branch expansion, deposit and credit mobilisation and the participation of commercial banks in the priority sector from 1961 to 1981. The impact of bank nationalisation and the growth rate from different stand-points have been studied during the period 1969-1981. The circumstances prevailing in India prior to nationalisation i.e. the extent of social control on commercial banks and subsequently the impact of nationalisation on them and the economy have been highlighted. Recent development indicating the structural change in Indian banking system as a result of introduction of Regional Rural Banks (R.R.B's) has also been included within the perview of discussion.
In this chapter the traditional character of Indian commercial banking is mirrored through indigenous money lending business of the past which also characterised banking system in America and European countries. It has been shown that in India the system has passed through several phases of evolution with the gradual imposition of regulations and strict control and supervision of the Reserve Bank of India. The principal changes during the twentieth century have been effected by the greater participation of public sector in the banking system. The major landmarks are (i) the circumstances leading to formation of Imperial Bank in 1921, amalgamating the Presidency Banks (ii) establishment of Reserve Bank of India in 1934 (iii) winding up of Imperial Bank and setting up of State Bank of India in its stead in 1955 (iv) nationalisation of fourteen commercial banks in 1969 and six more banks in 1980 and (v) setting up of Regional Rural Banks in 1975 as the latest policy of branch expansion in the country.

CHAPTER 4

Commercial Banking in Cachar during pre-nationalised period:

In this chapter the researcher has attempted to identify the character of commercial banking in the district during the pre-nationalised era, and the gradual development till the date of nationalisation of fourteen major commercial banks in India. The origin of commercial banking in the district is found to be similar to that of India. Moreover, before 1930 no banking
Institutions in the truest sense of the term were in existence in the district and the growth from 1930 till nationalisation seems very insignificant. The number of bank offices was much too small and prior to the plan period, only three bank offices existed in the district. During the period 1951 - July, 1969 only three more branches came into existence. Till the date of nationalisation, the district's contribution towards the aggregate deposit and credit of the state of Assam was very small. The C.D. ratio of the district during the same period fluctuated between 6 P.C. to 11 P.C., while the C.D. ratio of the State of Assam fluctuated between 24.3 P.C. to 36.4 P.C.

CHAPTER 5

Impact of nationalisation and growth of commercial banking in Cachar:

In this chapter the researcher has attempted at tracing the impact of nationalisation of commercial banks in the district. In identifying the impact, emphasis has been laid on the trend of expansion of branches in the major as well as in other growth centres. A comparative review of population per bank office in the district along with other districts of the State has been made. This chapter reflects the trend of mobilisation of deposit and advance in the district and its percentage share in the State's aggregate from September, 1969 to December, 1980. The centrewise trend of mobilisation of deposit and advance and their respective percentage share in the district's aggregate
during the period from September, 1969 to June, 1979 have also been focussed. The position of individual commercial banks in respect of their mobilisation of deposit and credit in the district has also been shown.

The investigation reveals that out of the total number of functioning commercial banks offices, about 33 P.C. have been located at the district head quarters Silchar. At the time of nationalisation only 7 bank offices existed in the district. Despite vigorous attempts of branch expansion, all the block head quarters could not be covered till the end of June, 1979. Actual growth in respect of branch expansion in the district can be traced from June, 1976. So far as population per bank branch is concerned, Cachar lags behind the districts of Kamrup, Dibrugarh and N.C.Hills in Assam.

In average the district's contribution in the aggregate deposit and credit of the state is about 8.2 P.C. and 5 P.C. respectively during the period September, 1969 - June, 1980. Despite high rate of growth of deposit and credit the percentage share in the state's aggregate is very insignificant. Further, in respect of mobilisation of credit Cachar lags behind all the districts of Assam except Karbi Anglong and N.C.Hills in 1971. In other years the district remains behind the districts of Kamrup, Dibrugarh and Sibsagar and in all the years except 1974, 1977 and 1979 the district of Goalpara.

In respect of centrewise mobilisation of credit the position of Karimganj, Hailakandi and others in the district seems to be much insignificant.
The average C.D. ratio of all commercial banks operating in the district which accounts for about 29.37 P.C. during the period from 1978 to 1980 fails to represent all Assam and all India average during the same period.

The contribution of commercial banks in the priority sector of the district is significantly meagre during the period, December, 1975 - December, 1980 barring the two banks namely the United Bank of India and the State Bank of India. Their total contribution during December, 1978 - December, 1980 in average also can not be said to be much encouraging.

This chapter also displays the nature of the three years' credit plan for the period 1978-1980 and the Action plans for 1980 and 1981 as have been prepared by the Lead Bank of the district. In pursuance of these plans, target for investment in this sector has been fixed by different banks and the achievements highlighted. It appears that the percentage of achievement to target shows a gradual deceleration from 1978 to 1980. The overall picture of growth seems to be discouraging.

CHAPTER 6

Growth of Agriculture and Role of Commercial Banks in the Growth:

An attempt has been made in this chapter to identify the growth of agricultural sector in the district and the part played by the commercial banks in it. The growth of coverage for all varieties of agricultural crops from 1960-61 to 1979-80 does not reflect steadiness. It seems to be rather fluctuating.
In respect of production of rice of all varieties, the average growth rate has increased at a faster rate from 1969-70 to 1979-80. Production of Jute shows an improvement from 1960-61 to 1979-80. But the growth percentage during the latter decade has been slower. The production of rape seed and mustard has shown a gradual declining trend during the whole period. The production of sugar cane has shown a steady growth during the same period, while the production of potato shows an increasing trend though the rate of increase can not be said to be steady. In average the production of principal varieties of agricultural crops has shown an increasing trend, though it can not be said to be much encouraging for lack of adequate co-operation of the commercial banks extending necessary finance in this sector.

Under a special scheme, United Bank of India has disbursed a sum of Rs. 10.5 lakhs to 1200 sugar cane growers in collaboration with Cachar Sugar Mill and agricultural department during the period 1977-1978, for increasing sugar cane production in the district. But ultimately the scheme has failed in the absence of a common crushing plan suitable for the farmers and for the mill and for making delay in the disbursement of loan by the bank to the cane growers.

In respect of indirect agricultural finance only four banks including one co-operative bank have taken part in extending loan through their adopted G.P. level societies to the farmers, but they have failed to generate much enthusiasm in the farmers.

In the operation of integrated Rural Development Programme from inception (March, 1979) till the end of 1980-81, the commercial
banks as a whole have extended financial assistance to 435 beneficiaries but the per capita investment comes to about Rs. 0.84 thousand which is very insignificant.

The achievement of target fixed by the different commercial banks as per the District Credit Plan for extension of loan to the agricultural sector during the years 1978, 1979, 1980 and 1981 is 71.2 P.C., 125.8 P.C., 113.7 P.C. and 100.4 P.C. respectively.

Field survey in the Narsingpur Development Block shows that bank advance for the development of agriculture in different ways is on a gradual increasing level from 1975 to 1981. In spite of this the growth of agricultural productivity is not steady rather it has fluctuated throughout the aforesaid period.

The Joint cultivation scheme initiated by the Narsingpur Agricultural Development Branch of the State Bank of India at two different villages viz., Satkarakandi and Bekirpar in September, 1981 in collaboration with the farmers and the Agricultural Department has failed in the absence of a judicious credit policy in regard to the deployment of credit.

CHAPTER 7

Growth of Industries and the Role of Commercial Banks in the growth:

This chapter has been devoted to discussing the development of the small scale industries. The district possessed about 377 registered functioning small scale industrial units at the end
of 1975. But prior to 1970-71 the number of these units was not even 100. However, at the end of the year 1980-81 the number of registered industries and their productive capacity have increased by about 88.8 P.C., 356.3 P.C. respectively and the employment capacity by 66.1 P.C. from December, 1975, while the growth rate of unregistered industries has been regarded at about 50 P.C. during the same period.

In the development of small scale industries the commercial banks have extended about 8.3 P.C. of their aggregate advance in average per year from June, 1974 to December, 1980 which is very insignificant.

The Entrepreneurship Motivation Training Centre Silchar has recommended 417 and 588 proposals of entrepreneurs to different commercial banks in the district for sanctioning loan at the end of September, 1977 and March, 1981 respectively. Out of which 215 proposals relating to September, 1977 and 256 proposals relating to March, 1981 have been sanctioned.

During the year 1979 and 1980 the District Industries Centre, Silchar has recommended 130 proposals of potential entrepreneurs to 9 commercial banks of the district for sanctioning loan, out of which 75 proposals belong to the year 1979. The aggregate amount of loan sanctioned by the banks has been recorded at Rs.249 thousand and Rs.462 thousand against 49 and 33 proposals relating to the year 1979 and 1980 respectively.

On the basis of the Annual Action Plan under the Scheme of District Credit Plan for Cachar, each commercial bank has fixed
target in the industrial sector for the years 1979, 1980 and 1981. The percentage of achievement of all commercial banks in aggregate at the end of the years 1979, 1980 and 1981 reflects a marked lack of interest and consequent inertia on the part of the banks to extend adequate finance.

The field survey on 50 small scale industrial units reveals that only 20 units have received financial assistance from banks while, 30 other units have been functioning with their own resources. The total amount of capital invested and the aggregate annual value of the products of these 20 units have been recorded at Rs. 1761 thousand and Rs. 1912 thousand respectively, while for the remaining 30 units the corresponding figures stand at Rs. 4021 thousand and Rs. 4060 thousand respectively. The employment opportunities provided by the 20 units supported by banks and 30 units functioning without bank support have been recorded at 136 and 365 persons respectively.

The intensive case study in respect of eight small scale units reveals that in all the cases the impact of bank finance is insignificant, viability of the projects has not been properly examined and the follow-up measures initiated by the banks seems to be badly inadequate.

CONCLUSION

From the foregone analysis of the role of commercial banks in the district of Cachar of the extent of growth and participation of the commercial banks in its economy, the obvious conclusion
is that Cachar has to go a long way in achieving economic prosperity. The people of the district are to be freed from the clutches of glaring poverty and finance is to be accumulated in order to build up necessary infrastructure and entrepreneurial skill. The role of commercial banks may be much assuring in providing finance in order to gear up the economy of the district. But so far the nature and extent of participation of the commercial banks have been far from being satisfactory. It will not be an exaggeration if we say that the commercial banks have displayed overt indifference in matters of development of agriculture, small scale industries and necessary infrastructure; that is the whole priority sector of the district has been overlooked. Besides, the commercial banks of this district have occasionally failed to act in conformity with policies dictated by the Reserve Bank of India particularly in respect of expansion of branches. What is more, serving not as real financiers but as agency houses on their accepting of deposits from the poverty-ridden rural folk, and in their way of investing the same outside the district and even outside Assam. Such a practice is dangerous for the people in achieving the cherished end of economic prosperity. On the contrary, these banks are draining blood out of district's organism, which is grossly unethical. Hence a strong foundation of commercial banking with adequate number of bank offices, qualified staff and proper guidelines is to be built up.

Here some suggestions are put forward to remedy the defects already detected for achieving the banking growth and all round
development of the economy of the district.

SUGGESTIONS

1 Farm clinic:
Attempts should be made for establishing "Farm clinic" as it has been proposed by the Syndicate Bank for providing integrated credit service cum policy for solving other farming problems. "The clinic will function at the village level with close liaison and support of the village community. The services of the banks' technical personnel will be made available to them. Philosophy behind the concept of 'Farm clinic' is that every farmer in the village will be able to approach the clinic for the entire range of inputs, physical and advisory services and credit facilities needed by him for successful farming in just the same way as he can visit the general medical practitioner for treatment of all ailments." The district of Cachar needs it urgently and all the commercial banks must adopt the scheme without wasting much time.

2 Project - viability:
The philosophy of sanctioning loan on the merit of viability of the project should be strictly followed by the Branch Manager and due support should be given by the higher authorities. Very often when the cultivators become victimised by natural calamities

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like flood, draughts etc., the repayment of bank loan becomes impossible on their part. In the circumstances the commercial banks should very leniently tackle the cases. Fresh loans for next crop should immediately be issued in spite of non receipt of any amount of outstanding debt from the borrowers. The bank must also convert the crop loan into term loan in such abnormal cases\textsuperscript{1}.

3 \textbf{Simplified loan application form}:

The loan application forms used by the banks should be rationalised and simplified so that the farmers can easily understand them and thus feel comfortable in approaching the bankers for loan.

4 \textbf{Avoiding delay in processing loan application}:

Delay in processing the loan application should be minimised. Unnecessary delay will jeopardise the efficiency of the bank personnel. Such delay may not be always due to the lack of capability of the branch manager but to the belated decision of the higher authorities. Hence, the power of the branch managers should be enhanced. " Also Branch Managers should have maximum sanctioning power upto Rs.5,000/- in respect of loans not covered by the area specific scheme. As far as possible,

\footnote{Bhatnagar, R.G. - Recovery of agricultural loan, State Bank of India, Monthly Review XXI : 2 Feb., 1982 - P 45.}
Managers of rural branches should not be transferred for a period of 3 years as sanctioning loan for the agricultural credit schemes require good feel of the environment. Because delay in financing a project is as good as denial of financial assistance, as "justice delayed is justice denied". As a matter of fact, the borrower will fail to derive the goal of their project. This will in turn retard economic growth as well as development of banking in the district of Cachar.

The bankers should always guard against inevitable dangers, that is, deployment of credit must always be in the specific purpose instead of frustrating the same. As for example, loan sanctioned for purchasing a pump set should not be disbursed when the crops are ready for harvesting. At the same time the bankers should always see that the volume of credit disbursed must always be adequate, otherwise it will frustrate the specific purpose.

Area Demarcation and Target for Individual Bank:

The area demarcated and target fixed for different commercial banks for operating within the district should strictly be followed and an assessment of the work done should be made periodically by the district level co-ordination committee.

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1RBI Report of the Expert Group - Agricultural Credit Schemes of Commercial Banks - P 80
6 **Co-ordination Among Different Agencies**:

The development agencies and departments of varied types in existence in the district viz., District Industries Centre, Entrepreneurship Motivation Training Centre, Integrated Rural Development Agencies and other State Govt. Planning and Development Agencies are to play a vital role in the successful operation of the District Credit Plan and Annual Action Plan of the commercial banks. But these departments very often function with inadequate number of extension staff.

The attention of the State Govt. should also immediately be drawn to make these organisations self sufficient in all respects and to maintain a close liaison with the commercial banks for successful implementation of the credit schemes.

7 **Regional Imbalance**:

The trend of expansion of bank branches in the rural and unbanked region of the district is inadequate. Consequently the population per bank branch still remains high. This aspect is greatly responsible for creation of regional imbalances. This must be carefully viewed by the commercial banks, the district level co-ordination committee and the State Govt. whenever a new branch is going to be set up. For this purpose a panel of growth centres in the district should be prepared on the basis of the eligibility in respect of economic potentialities concerning growth of a particular region.
8 **Attendance of Representative in the DLCC Meetings:**

The district co-ordinators appointed by all financial institutions, other development agencies and Govt. machinery must ensure their representatives in the District Level Co-ordination Committee Meeting held from time to time and act expeditiously on the decision taken by the expert committee on the matters relating to either banking growth or economic development of the district.

9 **Supply of Progress Data:**

The progress data should be supplied by the branches of the commercial banks immediately at the close of the particular period to the Lead Bank's Development Office for compilation in the District Level Co-ordination Committee meeting and the assessment of progress on various targets allocated to them is to be made very carefully and the respective branches should explain any case of defaulting. Similar data should also be supplied by the other departments connected with formulation of effective credit schemes by the Lead Bank of the District. A copy of the progress data should also be sent to the Regional Office of RBI for the evaluation of the progress.

10 **A Pass Book of Land Records:**

The land records of the cultivators should be kept up to date by the district authority. No loan proposals of the cultivators should be kept pending for longer period by the commercial banks
on the plea that land records are incomplete or not available.
In order to give the share croppers the adequate benefit of crop loan from the commercial banks, the district authorities must remain vigilant and should ensure the commercial banks in supplying the list of eligible borrowers at a short notice on demand. A 'Pass Book' indicating the legal rights, irrigation facilities available, loan issued from different sources and other information of the owner under legal validity and status may be issued to each farmer, entrepreneur and village artisan. The commercial banks should treat their 'Pass Book' as a prima-facie proof of right while disposing of the loan applications. Also they should take the responsibility of collecting land records or non-encumbrance certificate, if any, required from the appropriate district authority for speedy disposal of the loan applications.

11 Joint cell for Initiating Survey Work:

In the district the demand for fertiliser loan is very low. A Joint cell of the expert officials from the departments of Agriculture, Irrigation, Co-operation and Banks should be created for undertaking a survey to detect the causes for little utilisation of fertilisers by the farmers and lack of demand for bank loan for this purpose. The survey must ensure the motivation of farmers through some concrete and viable suggestions for using more fertilisers in the agricultural field. This will ultimately increase the productive capacity of agricultural land and demand for bank loan.
Managerial Competence of Co-operative Societies:

A huge amount of bank credit in the agricultural sector and allied activities is disbursed through Gaon Panchayat Samabaya Samities (GPSS). In fact all the Gaon Panchayat Samabaya Samities are managed by unqualified personnel which delay the processing of loan applications of the borrowers in transit to the bank. The attention of the co-operative department should be drawn to strengthen the managerial competence of these co-operative societies.

Regional Rural Banks:

In the district the co-operatives suffer from acute financial weakness and managerial incompetence, which also retards the activities of the commercial banks in a greater degree. On the other hand commercial banks suffer from other limitations viz. small coverage, high operational costs, non-appreciation of rural problems and urban orientation of growth.

Now the principal institutions like Regional Rural Banks combine all their merits and have already been favoured in the district through opening a few units of Grameen Banks very recently. But the impact is yet to be felt. The Regional Rural Banks should implement the network of Grameen Banks extensively and expeditiously in the district of Cachar.

Follow up Measures:

Most of the commercial banks do not undertake follow up measure
for lack of adequate number of qualified staff available in the banks. As a matter of fact diversion of bank loan is a common practice among the rural and urban borrowers. There is always a tendency to divert bank money to unproductive purposes like marriage or celebration of festivals etc. The banker should as far as possible make direct payment towards input instead of money to the farmer.¹

Primarily the advance portfolio of the commercial banks in the district of Cachar falls under the following heads viz. (i) agricultural sector (ii) small scale industries (iii) small business and retail traders (iv) road and transport operators and (v) other self employed persons. So each unit of the bank must be equipped with technical experts on those units assisted by adequate number of field staff for quick identification of borrowers, their projects and problems. Besides these, post disbursement follow up measures are also to be undertaken where the borrowers are surrounded by various activities. In this regard the Report of the Expert Group appointed by the R.R.I. on agricultural credit scheme of commercial banks says "the role of a credit agency can not be merely one of distributing the loans. This is well recognised. What is, perhaps, not so well recognised is that the role can not be confined to only ensuring that the loan is utilised for the purpose for which it is given. The loan must make a decisive impact on the economies

of the borrowers" 1.

15 Supervision of Credit:

Supervision of credit is also a vital function of the commercial banks in the district after disbursement.

The term does not imply only to ensure the utilisation of loan for the purpose for which it has been sanctioned. The credit schemes must primarily be based on the fundamental of incremental income of the borrowers. Thus "a bank is to follow up and supervise the use of credit to verify first, whether the assumption on which the lending decision was taken continue to hold good both in regard to the borrower's operations and the environment and second, whether the end use is according to the purpose for which the credit was given" 2

16 Publicity Popularising Bank Finance:

In the district of Cachar the effective demand for credit is significantly lower than the explicit demand for it. Hence integrated steps should be taken to popularise bank finance instead of procurement of finance from private sources through publicity and persuasion by the field staff of the commercial banks, co-operative organisations and the State Government agencies.


Recovery of loans:

Non refund of outstanding and overdue loans is a serious problem in the district of Cachar. To improve the condition of recovery following measures may be suggested viz. ,

(i) To ensure realisation, tie-up arrangement with the marketing agencies may be adopted.

(ii) The borrowers may be sent demand notice or personal contact may be made by the field staff of the banks.

(iii) When the loans are used on the basis of group, every member must be made aware of their joint responsibilities.

(iv) Like the recovery of land revenue by the State Govt., recovery of bank loan by them may also be adopted.

(v) To ensure quick and easy recovery, a special recovery officer should be appointed by the State Government.

(vi) The responsibility of disposing land of the willful defaulters by the Government should be ensured if no one becomes willing to buy their land.

(vii) No discriminate policy should be taken by the Govt. allowing moratorium, remission of bank loan and land revenues etc. because it will be adversely reflected in the minds of the borrowers who have already repaid the bank loan.

(viii) The Government should not help the defaulters of bank loan by providing any other financial assistance.

(ix) The commercial banks should formulate a policy and a machinery should be set up to collect up-to-date information about the recovery of loan and evaluation of credit scheme. That
task may be entrusted to the Monitoring and Evaluation cell of the bank \(^1\) as recommended in the report of the Expert group.

18 **Lead Bank's Role:**

The performance of Lead Bank of Cachar should be improved. The development office of the bank functions without the development officer since long and without any expert either on agriculture or on industry. The activities of the Lead Bank and the District Level Co-ordination Committee are not satisfactory and should not only to monitor the progress of the district credit plan, but also to examine critically the difficulties faced in enforcing the credit schemes and also they should trace out the new credit schemes for the regions where credit is to be extended for inter-related activities.

19 **Finance For Small Tools:**

It should be the endeavour of the commercial banks operating in the district to include in their credit schemes provision for finance for small tools and implements on large scale, which will make the small and the marginal farmers, artisans and small entrepreneurs more enthusiastic.

20 **Uniform Terms and Conditions:**

The terms and conditions of loans issued by all the commercial

banks in the district or in the State of Assam as a whole or in the whole N.E. Region should be uniform for the same categories of borrowers. The Reserve Bank of India should maintain such uniformity in consultation with the respective commercial banks operating in the whole region.

21 **Crop Loan:**

The scope for providing crop loan should be widened and extended through integrated and unintegrated manners. Extension of bank loan should be made popular through pledge/hypothecation of produce.

22 **Group Guarantee Approach:**

To widen the coverage of borrowers in the district 'group guarantee' approach for crop loan should be provided by all the commercial banks. It implies getting guarantee for joint ownership of asset in addition to providing guarantee of loan to an individual farmer. A catalytic role should be played by the commercial banks in the district making such joint groups and also to arrange group activities for utilising different types of input and marketing facilities jointly rendered by the different agriculturists. Non-encumbrance certificate up to Rs. 5,000/- for crop loan should not be insisted on by the commercial banks, even when larger amounts are involved. As far as possible the banks should not insist on such certificate.
23 **Task Force**: 

As recommended in the report of the 'Expert Group' on agricultural credit scheme of commercial banks a Task Force for implementation of credit scheme (TFCS), should be set up in the district of Cachar headed by Dy. Commissioner as Chairman. The primary objective of the force will be to settle the specific problems referred to it by a branch of a commercial bank. "It should also act as an effective feedback mechanism for the development administration and the DCC particularly with respect to location-specific difficulties experienced by borrowers and branches of commercial banks in implementing agricultural credit schemes".

24 **Preparation of classified list of borrowers**: 

All the commercial banks in the district should prepare a classified list of borrowers to identify them and to ensure better control and management of credit. Besides, the classification will enable the banks to give due importance on borrowers demand for credit, timely issue of credit will be ensured and ultimately it will check defaulting to a larger extent.

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Dynamism in Bank Operation:

Causing least inconvenience to both the parties, the extension of credit further is a dynamic activity of the commercial banks and hence the banking system of the district as a whole must be always ready to accommodate themselves with the challenges of the changed activities of the banks. The changed system can not be made successful unless there is full co-operation of the top management of the banking structure with the rural branch level. Actually the banks should try to influence the customers' discipline through their own changed circumstances. Thus the quick action in appraisal, decision making and flexible handling of changed orders by the commercial banks will automatically generate similar speed among the borrowers. To this end suggestion may be made for adequate training facilities for the concerned bank personnel handling the 'change-over'.

Organization of Seminar:

Bank Borrowers' seminar should be arranged in the district by each commercial bank at regular intervals to promote better understanding between the two parties. Also such seminar may be converted into training institutes of the bank personnel after completion of six seminars.

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1 R.B.I's Report of the study group to Frame Guidelines for follow up of Bank Credit - PP 52-53.
Banking efficiency:

In order to improve upon the efficiency of the commercial banks functioning in the district, the measures as recommended by the committee in their report on Functioning of Public Sector Banks may be pursued.

(i) Internal efficiency: The senior management of the individual bank should make periodical visit to their respective branches located in the different parts of the district in addition to the present system of monitoring in-existence in the banks.

(ii) External efficiency: The recommendations of the Talwar Committee relating to banking operation, motivation of personnel, supervision of credit and follow up measures in improving the external efficiency of the commercial bank should be pursued.

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