CHAPTER-I

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India is basically a rural based agricultural country where 80 per cent of the total population is living in rural areas. In Assam 87.28 per cent (Directorate of Census: 2001-2002) of the total population is living in rural areas. Therefore, it is very important to uplift the economic life of rural people to make India a developed country. This is possible only through increasing the rate of saving and proper investment of the people of rural areas.

Saving And Investment:

'Saving' is an indispensable word for measuring economic behaviour of human beings. We observe that insect like ant has the urge of saving for rainy season. Again snake also uses to save for winter season. As the human being is a superior creature among all creatures, therefore, saving is innate by nature.

Before analysing the pattern of saving and its investment it is important to bring some facts to light about the word 'Saving and Investment'.
saving are the unconsumed earning of an individual economic unit for a given time period. Saving thus consist the deferred consumption and capital formation including investment. Again saving may be defined as changes in earned surplus or earned net worth of an economic unit. National Saving Constitute the sum of net changes in the net worth of all economic unit in an economy. Saving has been defined by C.S.O. 'The excess of current income over current expenditure and is the balancing item on the income and outlay accounts of producing enterprises and households government administration and other final consumers. For the estimation of domestic saving, the whole economy is broadly classified into three institutional sectors i.e. (a) household (b) private corporate and (c) public. The saving of the household sector can be measured by (i) total financial saving and (ii) saving in the form of physical assets. The financial saving includes possession of currency, net deposit, investment in shares, debentures and govt. securities, and small saving whereas the physical assets include machinery, equipment, construction, inventories etc. held by individual. Secondly, the saving of the private corporate sector constitutes the net saving of non-govt., non-

1 Dhingra I.C. – Rural Banking in India 1993 p-116
2 Dhar P.K. -- Indian Economy its Growing Diminusions-2001, p- 123
financial companies, private financial institutions and co-operative institutions as revealed from the profit and loss accounts and balance sheet of these companies. Thirdly, the saving of the public sector includes the net savings of both department and non-department enterprises and saving of administrative department shown as the excess of current receipts over current expenditures of the government. Likewise Investment may be defined as deployment of funds in any type of economic activity for further return. It generates fund for future, which helps in the development of economy of a country.

An interdependence of saving and Investment advocated by classical economist Keynes has been shown as under.

The money income accruing to the community in any period is then utilised in two ways. A part of it, is used on the purchase of consumption goods and the remaining part is saved for the future use.

Algebraically \( Y = C + S \)

Where \( Y \) represents income; \( C \) represents consumption and \( S \) represents saving.

On the other hand the aggregate expenditure incurred by the community on the two types of goods (i.e. consumption goods and
investment goods) is equal to the aggregate value of these goods. And
the aggregate expenditure of the community is equal to its aggregate
income. The conclusion, therefore, follows that the aggregate income of
the community arises from the sale of consumption and investment
goods. The whole position can be summarised as follows:

Aggregate Income = Aggregate Expenditure

= Expenditure on consumption goods + Investment
goods

= Value of consumption goods + Investment goods.

= Consumption + Investment

Algebraically, therefore, \( Y = C + I \)

Where \( Y = \text{Income} \); \( C = \text{Consumption} \); \( I = \text{Investment} \)

Investment is that portion of the aggregate output, which is in
excess of the aggregate value of consumption goods. Like wise saving is
the excess of income over consumption expenditure (or spending).
Hence saving must be equal to investment. According to Keynes the
equality between saving and investment is the resultant change in the
level of income. If investment exceeds saving then income will rise till
the saving out of the increase income is equal to the investment. On the
other hand if investment decreases the income will also decrease till the saving out of the reduced income is equal to the diminished investment. Ultimately saving and investment become equal to each other. Therefore the economic system will be in equilibrium may not necessarily be at full employment level, it may be at a level less than full employment level. It is quite possible for the saving-investment equality to be established at the underemployment equilibrium level of the economic system.

In our country 80 per cent of the total population is living in the rural areas. Mahatma Gandhi, the father of the Nation once stated, “India lives in villages”. Therefore, the country’s development purely depends upon the development of rural areas. This is possible only through increasing real income and saving and its mobilisation and right investment in productive channels. But population can also work as retarding factor towards economic development.

1.1 Trend of Population- Assam and India:

The population of India is growing very rapidly. India is occupying about 2.4 per cent of the total area of the world but the country is bearing 16 per cent of the total population of world. Thus the percentage of population is very high as comparison to the area of land.
Again the national income in India at present constitutes 1.2 per cent of the total income of the world. In 1901, the total population of India was 23.6 crore and in 2001 it has increased to 102.7 crore showing an increase 79.1 crore during the last 100 years. So it is high trend of growth of population, which has been affecting the national income of our country. A Chart of the population trend in India from 1901 to 2001 is shown below.

Table 1.1
Trend of population of Assam and India

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (Lakh)</th>
<th>Practical decades variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>India</td>
<td>Assam</td>
</tr>
<tr>
<td>1901</td>
<td>33</td>
<td>2,383</td>
</tr>
<tr>
<td>1911</td>
<td>38</td>
<td>2,520</td>
</tr>
<tr>
<td>1921</td>
<td>46</td>
<td>2,512</td>
</tr>
<tr>
<td>1931</td>
<td>56</td>
<td>2,789</td>
</tr>
<tr>
<td>1941</td>
<td>67</td>
<td>3,185</td>
</tr>
<tr>
<td>1951</td>
<td>80</td>
<td>3,610</td>
</tr>
<tr>
<td>1961</td>
<td>108</td>
<td>4,391</td>
</tr>
<tr>
<td>1971</td>
<td>146</td>
<td>5,471</td>
</tr>
<tr>
<td>1981</td>
<td>180</td>
<td>6,838</td>
</tr>
<tr>
<td>1991</td>
<td>224</td>
<td>8,463</td>
</tr>
<tr>
<td>2001*</td>
<td>266</td>
<td>10,270</td>
</tr>
</tbody>
</table>

Source- Census of India, 1901 to 1991 and 2001

1 Assam's population figures for 1981 is an interpolated figure in absence of census figure
* Provisional population census report

From the above table it is revealed that except 1981 which is calculated using interpolation and 2001 in provisional population census report. The population trend in Assam is higher than all India level. It may be noted that while between 1901 and 1991 population of the
country increased by about three times; in Assam, the same rose by about seven times during the same period. A group of economists is of the opinion that if the existing size of population is already too high than the rapidly growing population retards the process of development of the country as it increases consumption, reduces saving and investment and slows down the rate of economic growth.

After the 55 years of independence 26 per cent of the total population of India is living below the poverty line as a whole and almost the 30.3 per cent of the people are living below the poverty line in the rural areas. A position of rural and urban sector poverty ratio of India is shown Table 1.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Sector</th>
<th>Urban Sector</th>
<th>Combined All India</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (million)</td>
<td>Poverty (ratio)</td>
<td>Number (million)</td>
</tr>
<tr>
<td>1973-74</td>
<td>261</td>
<td>56.4</td>
<td>60</td>
</tr>
<tr>
<td>1977-78</td>
<td>264</td>
<td>53.1</td>
<td>65</td>
</tr>
<tr>
<td>1983</td>
<td>252</td>
<td>45.7</td>
<td>71</td>
</tr>
<tr>
<td>1987-88</td>
<td>232</td>
<td>39.1</td>
<td>75</td>
</tr>
<tr>
<td>1993-94</td>
<td>244</td>
<td>37.3</td>
<td>76</td>
</tr>
<tr>
<td>1999-2000</td>
<td>171</td>
<td>27.1</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>24.0</td>
<td></td>
<td>21.6</td>
</tr>
</tbody>
</table>

Source—Planning Commission

The above table reveals that the poverty ratio as a whole has been declined from 54.9 per cent in 1973-74 to 1993-94 to 36.0 per cent. In
numerical forms, the number of persons living below the poverty line in India has increased from 321 million in 1973-74 to 329 million in 1977-78 and then gradually declined to 307 million in 1987-88 and then again increased to 320 million in 1993-94. The above data has been estimated by the Planning Commission on the basis of National Sample Survey Organisation (NSSO) covering the period July 1999 to June 2000. As per the estimate based on NSSO data, it is observed that in 1999-2000 the country has 232.6 million populations living below the poverty line; out of which 171.3 million live in rural area and 61.2 million live in urban area.

1.2 Poverty Analysis:

On the other hand if we look to some Asian countries with comparison to India, the poverty incidence and growth rate are still low. The following table shows the poverty incidence and growth rates in India and selected Asian countries.
Table 1.3
Poverty incidence and growth rates in India and selected Asian countries  
_________________________(in per cent)______________________

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>54.9</td>
<td>36.0</td>
<td>.9</td>
<td>3.2</td>
<td>5.6</td>
</tr>
<tr>
<td>China</td>
<td>59.5</td>
<td>22.2</td>
<td>1.9</td>
<td>5.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>64.3</td>
<td>11.4</td>
<td>2.6</td>
<td>7.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Korea</td>
<td>23.0</td>
<td>5.0</td>
<td>0.9</td>
<td>9.0</td>
<td>8.7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>17.4</td>
<td>4.3</td>
<td>0.7</td>
<td>7.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Philippine</td>
<td>35.7</td>
<td>25.5</td>
<td>0.5</td>
<td>602</td>
<td>1.4</td>
</tr>
<tr>
<td>Thailand</td>
<td>8.1</td>
<td>0.9</td>
<td>0.4</td>
<td>7.2</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: Economic survey of India 1998-99; page-146

The above table shows that although the overall poverty ratio in India is reducing but the performance of poverty alleviation has been weak as compared to that of some East Asian Countries. While poverty ratio in India has declined from 54.9 per cent in 1975 to 36.0 per cent in 1995, the same ratio has declined from 59.5 per cent to 22.2 per cent in China, 64.3 per cent to 11.4 per cent in Indonesia, 23.0 per cent to 5.0 per cent in Korea, 17.4 per cent to 4.3 per cent in Malaysia and 8.1 per cent to 0.9 per cent in Thailand during the same period. It may be observed that the success of some East Asian Countries like China and Indonesia lie in faster average (GDP) economic growth being 11.1 per
cent in China, 6.6 per cent in Indonesia and 8.7 per cent in Korea during 1980-95 periods as compared to that of only 5.6 per cent in India.

Assam is the biggest state among all states of north-eastern region. As per the population census of 2001 the total population of Assam is 2,66,34,107. 36.06 per cent of the total population are living below the poverty line in Assam in comparison to other states of India such as, Haryana-8.7 per cent; Chandigarh-5.75 per cent; Punjab- 6.16 per cent; Gujrat- 11.07 per cent and Mizoram- 19.47 per cent. So the per capita income of Assam is very low as compared to national average and other advance states of our country. The per capita income of Assam in 2000-2001 was Rs. 10,198 at current prices as compared to Rs. 6,157 in 1993-94 prices. But per capita income of India is Rs. 17,530 at current prices compared to Rs. 10,561 at 1993-94 prices. As the per capita income is low in Assam the saving potential of the state is thus low that causes the low economic development in Assam.

1.3 Role of Banking institutions in rural development:

The role of banking institutions in rural development in India has under gone major changes since nationalisation of major commercial banks. Among the various infrastructural facilities of rural development,
banking facility is one of the very important factors in rural economy. Availability of banking and credit facilities is an essential condition for the economic development of the rural masses. The introduction of lead bank scheme has been proved very helpful in the rapid socio-economic development of the country. Banks have been paying a very significant role in fastening and institutionalising saving and channelising funds for economic development. Further the banking institutions have done a commendable task in providing credit facilities to the rural masses.

The Govt. of India has been taking many steps to develop the economic life of the people of the country. Rural Banking institutions are playing a very important role for the development of rural areas. Considering the gross absence of banking facilities in the rural areas of the country the Reserve Bank of India in consultation with the central government, state governments and some major nationalised sponsored banks has set up some Regional Rural Banks in the late seventies with a view to elevate the economic status of the rural poor as well as to inculcate a habit of saving among rural masses.

As per the recommendations of the working group on Rural Banks, the Regional Rural Banks in India were established in 1975 for
supplementing the commercial banks and co-operatives in supplying rural credit. The main objective of Regional Rural Banks in India is to inculcate a habit of saving and investment among rural masses, and to advance credit and other facilities to agricultural labourers, artisans and small entrepreneurs in order to develop agriculture, trade & commerce, industry and other productive activities in different rural areas of the country. But RRBs have been incurring heavy losses year after year. In 1990-91 the total losses incurred was Rs. 92.87 crore followed by Rs. 258.66 crore during 1991-92.

As per the latest data available with the National Bank for Agricultural and Rural Development (NABARD) the total accumulated losses of all Regional Banks operating in the country were estimated at Rs. 2,176 crores as on 31st March 1996. It is therefore, not surprising that these Bank established for the purpose of providing an impetus to rural growth have dismally failed to boost agro-based rural economy. From the above picture of the RRBs it is felt that the people of the country are not properly motivated to save their income and saved amount is not invested in productive purposes due to the unjust investment policy of these financial institutions. Because the invested amount is not properly returned from the above mentioned sector as because they are not
properly utilised in productive activities. This is also fully applicable to our rural situation. Though it appears that the Regional Rural Banks in Assam, particularly PG Bank, Nalbari has been suffering losses before three years. And during last three years PG Bank has shown some profit, but it is not sufficient and satisfactory.

On the other hand those who have not saved their income in financial institutions they also use their saving in unproductive activities, such as social occasions or speculative investment in land, real estate or save in the bamboo pots and in the form of gold, silver and other precious metals and materials. Therefore saving of the rural people are not properly mobilised for economic development of rural areas.

Before analysing the pattern of saving and its investment we are to study the growth of commercial banks in Assam. The following table shows the number of scheduled commercial bank branches in Assam as well as in India and the trends in deposits and credit over the past six years.
### Table 1.4

Growth of scheduled commercial banks in Assam and India

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of offices</th>
<th>Deposits (Rs. In crore)</th>
<th>Credit (Rs. In crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assam</td>
<td>India</td>
<td>Assam</td>
</tr>
<tr>
<td>1995(March)</td>
<td>1260</td>
<td>63817</td>
<td>3955.87</td>
</tr>
<tr>
<td>1996(March)</td>
<td>1266</td>
<td>64456</td>
<td>4376.19</td>
</tr>
<tr>
<td>1997(March)</td>
<td>1271</td>
<td>65111</td>
<td>5100.03</td>
</tr>
<tr>
<td>1998(March)</td>
<td>1269</td>
<td>65828</td>
<td>6111.16</td>
</tr>
<tr>
<td>1999(March)</td>
<td>1268</td>
<td>66677</td>
<td>7172.25</td>
</tr>
<tr>
<td>2000(March)</td>
<td>1232</td>
<td>65521</td>
<td>8478.03</td>
</tr>
</tbody>
</table>

Source: Economic survey of Assam, 2000-2001 (page-69)

Over the past few years Assam is making a slow but steady progress in the field of banking network. There were only 491 branches of scheduled commercial banks in Assam in December 1980 and the same has increased to 1260 in March 1995 and then further to 1268 in March 1999. According to Quarterly Hand out of Banking Statistics of Reserve Bank of India, March 2000, the number of bank branches reporting offices of all scheduled commercial bank in Assam stood at 1232 at which 401 were Regional Rural Bank. Majority of the bank offices in the state is located in rural areas because of the higher percentage of rural population. Out of the total reporting banks offices of 1232 as on March 2000, as many as 819 branches are located in the rural
areas and 254 and 159 are located in semi-urban and urban areas respectively and the credit deposit ratio of Assam is also very low in comparison to India showing 8,478.3 crore deposit of Assam against 8,22,132.77 crore in India and 2,668.90 crore credit of Assam against 4,69,031.71 crore in India during March 2000. A scenario of credit-deposit ratio of Assam and India are shown below by a table.

### Table 1.5
Credit-Deposit ratio as per sanction and utilization in Assam and India.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sanction</td>
<td>Utilization</td>
<td>Sanction</td>
<td>Utilization</td>
<td>Sanction</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Assam</td>
<td>38.7</td>
<td>47.4</td>
<td>40.3</td>
<td>45.4</td>
<td>36.3</td>
</tr>
<tr>
<td>India</td>
<td>55.6</td>
<td>55 6</td>
<td>59.8</td>
<td>59.8</td>
<td>56 8</td>
</tr>
</tbody>
</table>


The credit deposit ratio of Scheduled Commercial Bank in Assam has been worked out at 31.5 per cent as on March 2000 which is quite unsatisfactory as compared to 57.2 per cent at all India level. The credit deposit ratio as per sanctions declined from 38.7 per cent as on March 1995 to 32.0 per cent as on March 1999 and the credit deposit ratio as per utilisation declined from 47.4 per cent as on March 1995 to 38.7 per cent as on March 1999 in the state which is quite unsatisfactory.
The Regional Rural Banks are playing a very important role in deposit mobilisation and credit sanctioned to the rural people. The following table shows the recent position of these regional rural banks in Assam.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Branches</th>
<th>Amount of deposit (Rs Crore)</th>
<th>Amount of Credit (Rs Crore)</th>
<th>Credit-Deposit ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986 (June)</td>
<td>321</td>
<td>38.40</td>
<td>27.50</td>
<td>71.5</td>
</tr>
<tr>
<td>1988 (Dec)</td>
<td>352</td>
<td>74.46</td>
<td>63.73</td>
<td>85.5</td>
</tr>
<tr>
<td>1989 (Dec)</td>
<td>382</td>
<td>96.12</td>
<td>78.56</td>
<td>81.5</td>
</tr>
<tr>
<td>1991 (Dec)</td>
<td>405</td>
<td>126.31</td>
<td>96.61</td>
<td>76.5</td>
</tr>
<tr>
<td>1992 (Dec)</td>
<td>405</td>
<td>146.58</td>
<td>110.69</td>
<td>75.5</td>
</tr>
<tr>
<td>1996 (June)</td>
<td>404</td>
<td>308.79</td>
<td>157.75</td>
<td>51.5</td>
</tr>
<tr>
<td>1998 (March)</td>
<td>405</td>
<td>493.98</td>
<td>202.03</td>
<td>40.9</td>
</tr>
<tr>
<td>1999 (March)</td>
<td>401</td>
<td>610.49</td>
<td>198.15</td>
<td>32.4</td>
</tr>
</tbody>
</table>


The above table reveals that the total number of branches of these five regional rural banks in Assam has increased from 321 in June 1986 to 401 in March 1999. And the amount of deposit is slowly increasing but amount at credit has gone down from 202.03 crore in March 1998 to 198.15 crore in March 1999, and the credit deposit ratio of these regional rural banks in Assam increased from 71.5 per cent in 1986 to 85.5 per cent in 1988 and then declined to 81.7 per cent in 1989 and then to 75.5
per cent in 1992 and then declined to 51.5 per cent in June 1996 and 32.4 per cent in March 1999, which shows the downward investment trend in the state and as a result it has effected the economic growth at the state.

1.4 Poverty Alleviation Programmes:

The government of India, with the objective of eradicating poverty from the rural masses some poverty alleviation programmes were launched during the early eighties where IRDP, TRYSEM, DWCRA, RLEGP (later JRY) were the most prominent among them. As a part of national programme the government of Assam has been implementing these poverty alleviation programme through the network of 219 Development Blocks and 23 District Rural Development Agencies (DRDA) under the administrative control of the Panchayat and Rural Development Department. The objectives of the programmes are (I) to uplift the people living below the poverty line in rural areas thereby improving their social and economic condition by providing them self employment through income generating activities, (ii) to provide wages employment to the skilled and unskilled unemployed persons living in rural areas during lean agriculture season and (iii) to create permanent assets for the rural people which can help them as infrastructure for their
economic growth and improving their quality of life and earning capacity.

But the above mentioned programmes have undergone a series of changes during the last four plans period (Sixth to Ninth Plan). As per latest position the following programmes are in operation under the control of the Department.

i) Swarnajayanti Gram Swarojgar Yojana:- Former IRDP, DWCRA, TRYSEM, SITRA, GKY and MWS programmes have been merged with SGSY with effect from 1.4.1999. This is a holistic programme covering all aspects of self-employment such as, organisation of the rural poor into Self Help Group (SHG), training, credit, technology, infrastructure and marketing. SGSY will be funded by Central and state governments in the ratio of 75:25. The objectives of SGSY are to assist the poor families above the poverty line in three years by providing them income-generating assets through bank credit and government subsidy. The DRDA at the district level is the sole authority of implementation of the programme. Altogether 4818 members of Self Help Groups were formed and 17,974 members both individual and group. Swarojgaries were assisted during the year 1999-2000 by incurring an expenditure of
Rs. 4503.94 lakhs. Due to vigorous change in the system of implementation of the programme, its performance in the first year was not up to the mark. The percentage of achievement was only 74.26 for individual and 76.59 for groups.

ii) Jawhar Gram Samridhi Yojana (JGSY) : The Jawahar Gram Samridhi Yojana has come into effect from 1.4.1999 as a restructured programme of Jawahar Rojgar Yojana which emerged from NREP and RLEGP. The objectives of the programme are primarily creation of demand driven community village infrastructure and generation of supplementary employment for the rural unemployed poor. The central and state government on 75:25 basis funds the programme. A total of 132.86 lakh mandays as against the targeted 144.36 lakh mandays were generated in the state during 1999-2000.

iii) Indira Awaj Yojana (IAY) : The achievement under the programme IAY for new construction and up-gradation are 37743 numbers and 16804 numbers houses respectively as against the target 80010 numbers and 41755 numbers of houses during the year 1999-2000 respectively. The percentage of achievements is 47.17 per cent and 40.24 per cent for new construction and up-gradation respectively. The funding
pattern of the programme is 75:25 share between central and state government.

iv) Employment Assurance Scheme (EAS): Under the programme a person is to get at least 100 days employment in a year. The scheme is opened to all rural poor who are in need of self-targeting in nature and only the minimum wages are to be paid. It is expected that only persons below the poverty line would come under the scheme. While providing employment preference shall be given to SC/ST and parents of child labour withdrawn from hazardous occupations who are below the poverty line. The volume of employment generated through this scheme during 1999-2000 was 148.62 lakh man-days as against 259.97 lakh man-days during 1998-1999.

1.5 Gross Domestic Saving and Capital Formation:

In India the rate of gross domestic saving which was very low during initial period of planning has gradually improved but not up to the mark. The following table shows the rate of G.D.S since 1950-51 to 1999-2000.
<table>
<thead>
<tr>
<th>Year</th>
<th>Household Sector</th>
<th>Private Corporate Sector</th>
<th>Public Sector</th>
<th>Total (2+2+3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>7.7</td>
<td>0.9</td>
<td>1.8</td>
<td>10.4</td>
</tr>
<tr>
<td>1955-56</td>
<td>11.1</td>
<td>1.3</td>
<td>1.7</td>
<td>13.9</td>
</tr>
<tr>
<td>1960-61</td>
<td>8.4</td>
<td>1.7</td>
<td>2.6</td>
<td>12.7</td>
</tr>
<tr>
<td>1965-66</td>
<td>9.9</td>
<td>1.5</td>
<td>3.1</td>
<td>14.5</td>
</tr>
<tr>
<td>1968-69</td>
<td>9.3</td>
<td>1.2</td>
<td>2.3</td>
<td>12.8</td>
</tr>
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<td>2.9</td>
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<td>4.6</td>
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<td>2.6</td>
<td>1.6</td>
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<td>2.8</td>
<td>1.0</td>
<td>24.3</td>
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<td>3.2</td>
<td>1.9</td>
<td>22.8</td>
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<td>2.8</td>
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<td>0.6</td>
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<td>19.7</td>
<td>3.5</td>
<td>1.7</td>
<td>24.8</td>
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<td>1995-96*</td>
<td>18.1</td>
<td>4.9</td>
<td>2.0</td>
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<td>1996-97*</td>
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<td>4.5</td>
<td>1.7</td>
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<td>17.8</td>
<td>4.2</td>
<td>1.5</td>
<td>23.5</td>
</tr>
<tr>
<td>1998-99*</td>
<td>19.1</td>
<td>3.7</td>
<td>-0.8</td>
<td>22.0</td>
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<tr>
<td>1999-2000*</td>
<td>19.8</td>
<td>3.7</td>
<td>-1.2</td>
<td>22.3</td>
</tr>
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</table>

The above table reveals the gross domestic saving as in percentage of GDP at current prices since 1950-51 to 1997-98. During the four decades of planning the rate of gross domestic saving has increased considerably but the increase in its rate was not commensurate to the expectation of the planners of our country. The CSO estimates show that during the Seventh Five Year Plan, the saving rate gradually started to increase at a very slow pace and reached the level of 22.3 per cent in 1989-90 and thus the seventh plan target level of 24.5 per cent by 1989-99 was not fulfilled. Again the saving rate reached the level of 23.2 per cent in 1996-97 i.e. at the end of Eight Plan and then it declined to 22.0 per cent in 1999-2000.

Thus through out, these four decades it can be assumed that among the various heads of gross domestic saving, household sector dominated the major portion and both private-corporate sector and the public sector maintained low profile in the generation of saving.

Likewise CSO has estimated the gross domestic capital formation in India as percentage of gross domestic product for the entire planning period. The following table represents the position of gross domestic capital formation (Investment during the plan period).
The above table shows that during the last forty-six years of Economic Planning the rate of gross domestic capital formation (investment) as per cent of G.D.P in India has increased considerably.

Source: Government of India, Economic Survey, 2000-2001 (Delhi,2000) Table-1.5, pps. 8 to 9
*As per New Series (Base 1993-94).
although this increasing was neither steady nor firm. Moreover, the rate of gross domestic capital formation as per cent of G.D.P in the public sector has increased considerably from 2.8 per cent in 1950-51 to 8.5 per cent in 1965-66 and then declined to 5.9 per cent in 1968-69 and again increased in 11.1 per cent in 1982-85 and 11.7 per cent in 1986-87 and then declined to 7.1 per cent in 1999-2000. But the domestic capital formation in private sector has increased from 8.3 per cent to 13.4 per cent in 1981-82 and declined to 10.3 per cent in 1984-85 and again it increased in 1995-96 upto 18.9 per cent but declined to 15.6 per cent in 1999-2000. Thus the adjusted total of gross domestic capital formation as per cent of GDP which was 10.2 per cent in 1978-79 and gradually decreased upto 1989-90. But in 1990-91 it was increased to 27.7 per cent and finally it declines to 23.3 per cent in 1999-2000.

The purpose is to examine the pattern of rural saving and its investment of Nalbari district to know the economic life of the people of rural areas. The Nalbari district is thickly populated one. As per 2001 census the rural population of the district was 97 per cent; the total being 11,04,020, out of the total population of the district 11,38,164, living in 824 villages. There are large numbers of unemployed in the district, whose saving is almost nil. As more than 36 per cent of the population
are living below the poverty line, their saving and investment is necessary be low. Therefore the district Nalbari is taken as sample on the basis of the problem to determine the sources of income, saving capacity, willingness to save and their investment pattern of saving among the different income group of people of various caste and creeds. It is also very much important to determine the facility to save; they have availed from private and public financial institutions and its resource mobilisation and investment pattern in all the segments of the economy.

1.6 Objectives:

In view of the above the study is undertaken with the following objectives.

1) To study the economic life of the rural people.

2) To evaluate the pattern of saving of the rural people.

3) To analyse the capital formation and investment pattern in rural areas.

4) To study the resource mobilisation and investment pattern by different Govt. and Non-Govt. financial agencies.

5) To offer suggestion on the basis of findings of the study.
1.7 REVIEW OF LITERATURE:

Basically there is no empirical study on this topic though there are large number of articles on saving and investment by different authors. On saving H.S. Agarwal in his work in “Indian Economics” has dealt with the saving habits of urban people of Agra City. He has conducted that the saving amongst the educated section is highest in the urban areas and it has been increasing year after year. He did not mention any thing about the mobilisation and investment of the savings in rural areas.

P.K. Dhar (2000) in his work “Indian Economy its Growing Dimensions” has dealt with the saving & investment from the point of view of economic development of a country. He has mentioned that increase in volume, as real saving would raise the rate of capital formation of the country. But he has not discussed about pattern of rural saving.

I.C.Dhingra (1993) in his study in “Rural Banking in India” discussed the motives for saving and various forms of assets building both Physical and Finances in four parts – (a) Investment in firm business (b) Building (c) Financial investment and (d) Bullion and Jewelry investment. He has also critically analysed the role of Banks in deposit mobilisation, deposit mobilisation by co-operatives and Role of
Post office, saving banks. His study also was confined on pattern of rural saving but there was no detail analysis on investment in different segment of the economy.

Ajit Singh in his rural development in Banking in India (1985) evaluated the role of banking in the development of rural sector of India. He revealed that after nationalisation, the commercial banks have opened a large number of branches in rural and sub-urban areas. The commercial bank has realised the importance of rural development and their responsibilities towards the rural society. However, the benefit of co-operative credit has not been adequately passed on to the weaker section of rural population. Due to shortage of funds farmer’s total credit needs are not made to it the result, farmer has to borrow from other sources.

He suggested that 40 per cent of the advances might be disbursed among priority sector. This percentage at least 25 per cent should go to weaker section. He suggested that there may be stepping up of the present 3000 beneficiaries per block to about 4000 to 5000 per block. Further a better rapport through public relation approach may help in the return of loan amount.
B.L. Vaishnaw in his work "regional Rural Bank in India (1985) has shown that most of the regional Rural Bank have not been able to meet the target of disbursement of credit set by the government of India and still far away from the stage of financial viability yet they have established their potentiality as a 'Development bank' of the rural poor. The performance of Regional rural Bank is inadequate in terms of their geographic coverage and the level of their advances. He concluded that the growth rate of outstanding advances in aggregate for all Regional Rural Bank in the state has declined. A similar trend was observed in case of each Regional Rural Bank in the country. Further one of the important observation of lending operation is that about 756 per cent of total advances has gone directly to the weaker section of society. Besides Regional Rural Banks are playing a vital role in the implementation of several schemes aimed of improving economic conditions of the rural poor.

S.G. Panandikar in his book 'Banking in India' 1959 has revealed that saving capacity of the agriculturist is very small even in the good years. The few well to do agriculturist, who can save substantially in good years, use their saving for the purchase of land or ornaments, or for the money lending operations.
He suggested that banks should increase the popularity of investment in trust securities, by lowering their charges to the public for the purchase and sell of this securities, and for the collection of interest, safe custody and other services regarding them, and by offering favourable terms to the public for the purchase newly issued securities. He further suggested that the large sized primary credit society should institute a mutual help chit fund.

William F. Sharpe, Gordon J. Alexander, Jeffrey V. Bailey, in their books ‘Investment’, a distinction is made between investment and savings. Saving is defined as forgone consumption, investment is realised to real investment the of sort that increase national output in the future, according to them real investment generally involve some kind of tangible assets such as land, machinery or factory, financial investments involved contracts written on pieces of paper such as common stock and bonds. They have focused on the investment environment and process. The investment environment encompasses the kind marketable securities that exist where and how they are bought and sold. The investment process is concerned with how an investor should proceed in making decision about what marketable securities to invest and in how extensive
the investment should be and when the investment should be made. But in this study, investment environment in the rural areas was not covered.

Therefore, this study is undertaken to fill up the gaps, which are left in the earlier study. Therefore the researcher proposes to study the pattern of saving and investment in rural areas to highlight new dimensions of the economic life of rural people.

1.8 RATIONAL OF THE STUDY:

In view of the above the researcher feels it is an essential need to undertake an empirical study on the pattern of rural saving and type of investment of such saving in different channels. The tendency of saving is still low in rural areas. It is perhaps due to the lack of proper knowledge, high standard of living style, proper co-relation between savers and saving agencies, and presence of illiteracy, traditional thinking and superstitious beliefs and others. It is very important to motivate the rural masses towards saving their income and its investment in productive purposes.

India is a rural based agricultural country. Most of the people of rural area are engaged in agricultural and allied activities. Of course few of them are engaged in other activities too. The rural cultivators are not
able to get the reasonable prices of their produces. As a result their income is not sufficient and continuous as expected.

Therefore, it is very essential to determine the sources of income, pattern of income and the level of income of rural people to know their ability to save.

On the other hand it is also very much desirable to assess the investment pattern of savers and investment policy of financial institutions in different sectors to determine the employment opportunity and generation of income of rural people for the development of rural economy. In view of the above this study is a modest attempt to know the various factors associated with saving and investment in order to develop the rural economy.

1.9 RESEARCH QUESTIONS:

The following research questions are formulated to test in course of the study.

i) Whether low economic activity and low income lead to low saving?

ii) Has the presence of anti-social elements discouraged saving and investment motive of the rural people?
iii) Has the lack of proper knowledge and absence of investment potentiality reduced the quantum of saving and investment in the rural areas?

1.10 PERIODICITY OF THE STUDY:

The study is confined to the period from December 1999 to 2002.

1.11 LIMITATIONS OF THE STUDY:

The present study has the following limitations.

01. It is observed during my field survey that people did not want to cooperate with me as they do not want to disclose their sources of income, amount of annual income and mode of saving in different places. Though attempts have been made to collect necessary information through informal discussion with rural savers yet there might have been some omissions regarding their savings and investments.

02. Attempts have been made to collect the data for two or three previous years about their income, consumption, saving pattern and investment pattern. But due to unscientific method of keeping proper
books of account or total absence of accounts they could not provide me the actual data, and only 20% of the people were found to have maintained the books of account and could provide me some reliable data.

03. Due to the vastness of the topic and time constraint it was not possible to cover all the households of the district. Therefore, representative households were selected for the study.

1.12 METHODOLOGY:

The research is conducted to understand the existing trend of saving and its investment and evaluate the existing pattern and mode of savings and its investment of the rural areas and whether it is satisfactory or not to uplift the economic life of the rural people of Assam specially in Nalbari district. Effort was made to find out the sources of income, generation of income, capacity of saving, willingness of saving and investment pattern of savings and resource mobilisation by the various saving agencies and their investment pattern so that economic life of the rural people can be improved.

The study was mainly divided into three stages.

1. Objective sitting.
2. Collection of information.

3. Analysis and findings.

Therefore methodology was adopted according to the need. After setting up objective it is known what are the information to be collected for the study. This was based mainly on primary data collection. The primary data were collected with the help of questionnaire and personal interview and secondary data were collected from government reports, reports published by various banks, magazines, journals & periodicals and printed circulars published by Central and State governments and related material on the topic in various books of economics. The data will be analysed through some appropriate statistical measures.

1.a RESEARCH DESIGN:

As it is clear from the above-mentioned objectives, the information required for the project was specific. The research attempts to obtain a comprehensive description and analysis about the sources of income, consumption, saving for various purposes and its investment pattern. The study therefore, was designed to collect all necessary information keeping the above specification in mind. The research design adopted here is exploratory in nature.
1.b QUESTIONNAIRE DESIGN:

As it has been said that the primary data were collected with the help of two sets of questionnaires. Basically while designing the questionnaires it was kept in mind that all the required information were to be collected through questionnaire. Each question was developed towards finding out some specific information. It was taken care of that the questionnaires do not become too much bore some for the respondent to answer.

1.c PILOT SURVEY:

A pilot survey was conducted among the households, Bank officers and Post Masters of rural areas of the Nalbari district. This survey helped to formulate the relevant questions needed for finding the informations to analyse the objective of the research project.

1.d DATA COLLECTION METHOD:

1.d.1 DATA SOURCE:-

The data for information needed has been mainly collected from the primary sources i.e., through questionnaire and personal interviews from income earners and personnel from financial agencies. A little secondary data has been collected from journals & periodicals, govt.
reports, reports published by various banks and other govt. and non-govt. financial institutions.

1.d.2 RESEARCH INSTRUMENTS:-

The questionnaire was designed only after the attributes to be incorporated were identified after the pilot survey and in consultation with research guide. Considerable amount of work has been done upto the phases for preparing the questionnaire short, simple and precise.

For the collection of primary data the whole district was divided into 12 blocks with 824 villages and out of which 21 villages are uninhabited. 10% villages of every block and 5% household of selected villages were selected on the basis of general caste, Scheduled Caste and Scheduled Tribe for investigation. Due to time constraint and the vastness of the topic it was not possible to cover all the households of all blocks within a specified period. On the other hand almost 75% of the govt. and non-govt. financial institutions were taken for direct investigation for the study. Hence sampling methods were used to select the villages as well as household families and financial institutions so that samples obtained are truly representative and the result obtained from it is accurate to a great extent. The sampling process used in this study consists of the following sequential steps.
STEP.1 DEFINING THE POPULATION:

The primary step was to define the population. The population was defined in terms (i) elements (ii) sampling units (iii) extent (iv) the time.

i) Elements:-

Households and govt. and non-govt. financial institutions.

ii) Sampling units:-

In case of field survey district consisting of Blocks are taken as first stage of unit, then blocks as second stage of unit and villages as third of unit and households as the fourth stage of unit and govt. and non-govt. financial institutions are taken as fifth stage of unit.

iii) Extent:-

Nalbari district; 12 Blocks, 824 villages; 18 RRBs (PGB) 241 branches of post office, 5 branches of SBI, 4 branches of UCO, 7 branches of CBI, 3 branches of PNB, 3 branches of BOI, 2 branches of ALB and only one branch each of Union Bank of India, Assam Co-operative Apex Bank, Nalbari Urban Co-operative Bank, LIC and Sahara.
iv) Time:-


STEP.2 IDENTIFYING THE SAMPLING FRAME:

The next step was to identify the sampling frame. Since in this study there are five stages therefore, five sampling frames are needed. These sampling frames were.

i) Nalbari District

ii) A list of blocks in the district

iii) A list of selected villages under every block.

iv) A list of household of every village.

v) A list of financial institutions.

STEP.3 SELECTING THE APPROPRIATE SAMPLING DESIGN:

The third step was to choose an appropriate sampling design for selecting the sample. Hence both probability sampling procedure and non-probability sampling procedure were used. Probability sampling was used to select the household families and non-probability sampling was used to select the villages and financial institutions.
For collecting primary data, the following sampling methods were used.

A) AREA SAMPLING

Since it was not possible to cover all the villages of 12 blocks hence area sampling was used to simplify the process of data collection. The whole district was divided into 12 blocks with 824 revenue villages, out of which 803 villages are in existence. 10% villages of every block and 5% households of these selected villages are taken for field survey. The villages were selected according to SC/ST and general living areas. In case of govt. and non-govt. financial institutions almost 75% institutions were taken for survey from different areas of the district.

B) STRATIFIED RANDOM SAMPLING:

Total number of the households of particular villages was divided into mutually exclusive and collectively exhaustive strata. The total number of households of a particular village was divided into three strata based upon their annual income viz. high, middle and low income. The classification of income group is as follows.

- Low income group : Less than 75,000 (Annual)
- Middle income group : 75,000 – 2,00,000 (Do)
STEP.4 TOOLS OF DATA COLLECTION:

The primary data was collected with the help of a questionnaire. The questionnaires have 27 nos. of questions for household survey. Every question of the household survey was meant for trying to know the definite information regarding income, consumption pattern and favourable and unfavourable social element that effects the tendency, motive, willingness of saving and its investment. On the other hand a separate questionnaire was prepared for the financial institutions consisting 15 nos. of questions and every question was to try to know the mobilisation of various types of deposits and their investment policies and its direct and indirect effect on the development of rural areas.

Besides I visited the library at Gauhati University, national Institute of Rural Development (NIRD) Guwahati, Beltola, Reserve Bank of India, RBI (Guwahati) HE, Lalmati- Guwahati, National Library, Kolkata, Director of Economics and Statistics, Guwahati and Head office of P.G.B. Nalbari, office of the Planning & Development, Guwahati, The Deputy Director, Economics & Statistics, Nalbari,
Superintendent of Post office, Nalbari and Barpeta Division and many resourceful persons of various related departments i.e., Chairman, PGB, Branch Manager LIC, Nalbari and Guwahati.

SECONDARY DATA COLLECTION:-


3. Annual statement of Accounts at PGB.

4. LBS- 1 & 2 (Quarterly) Total outstanding position of deposits and advances of all banks situated at Nalbari district.

5. LBS- 5 & 6 (Half yearly) Recovery position of all banks situated at Nalbari district.

6. Books on Indian economics written by reputed authors.

7. Govt. reports on saving investment.

8. Books published by Deputy Director of economic and statistics, Nalbari district.

1.13 Plan of work:

The whole study is divided into the following chapters:
Chapter I. Introduction
Saving and Investment
1.1. Trend of population- Assam & India
1.2. Poverty analysis
1.3. Role of Banking institutions in Rural Development
1.4. Poverty alleviation programmes
1.5. Gross Domestic Saving and Capital Formation
1.6. Objectives
1.7. Review of Literature
1.8. Rational of the Study
1.9. Research Questions
1.10. Periodicity of the Study
1.11. Limitations of the Study
1.12. Methodology
1.13. Plan of work

Chapter II. Socio Economic Profile of Nalbari District
2.1. Geographical Location
2.2. Administrative Set-up
2.3. Climate
2.4. Rainfall
2.5. Soil and Vegetation
2.6. River

2.7. Human Resources

2.8. Land Utilisation

2.9. Animal Husbandry and Veterinary Aid

2.10. Irrigation

2.11. Power

2.12. Agriculture

2.13. Forestry


2.15. Trade and Commerce

2.16. Transportation

2.17. Market

2.18. Educational Institutions

2.19. Health

2.20. Banking Network

2.21. L.I.C.I. and Sahara

2.22. Post Office

Chapter III. Analysis of Data on Income generation, consumption, Saving Pattern and its Trend for Economic Development.

3.1. Pattern of Annual Income of General Caste People
3.2. Pattern of Annual Income of Scheduled Tribe People

3.3. Pattern of Annual Income of Scheduled Caste People

3.4. Income, Consumption and Saving of General Caste People
   3.4.i. Consumption pattern
   3.4.ii. Saving pattern

3.5. Income, Consumption and Saving of Scheduled Tribe People
   3.5.i. Consumption pattern
   3.5.ii. Saving pattern

3.6. Income, Consumption and Saving of Scheduled Caste People
   3.6.i. Consumption pattern
   3.6.ii. Saving pattern

3.7. Trend of Economic Development
   3.7.i. Agricultural sector
   3.7.ii. Industrial sector
   3.7.iii. Tertiary sector

3.8. Economic Development of Assam and Nalbari District
Chapter IV. Analysis of Investment Pattern – National, State and District Level

4.1. Analysis of National Level Saving and Investment Pattern
4.2. Per capita Income of Assam and India
4.3. Investment Pattern of General Cast People
4.4. Investment Pattern of Scheduled Tribe People
4.5. Investment Pattern of Scheduled Caste People


5.1. Deposit Mobilisation by Post Office
5.2. Investment Policy of Post Office
5.3. Deposit Mobilisation of Regional Rural Bank
5.4. Investment Pattern of Pragjyotish Gaonlia Bank
5.5. Resource Mobilisation of State Bank of India
5.6. Investment Policy of State Bank of India
5.7. Resource Mobilisation of Central Bank of India
5.8. Investment Pattern of Central Bank of India
5.9. Deposit Mobilisation of Uco Bank
5.10. Investment Pattern of Uco Bank
5.11. Total Deposit Mobilisation of all Banks in the District

5.12. Total Investment of all Banks in the District

5.13. Role of L.I.C.I. in Deposit Mobilisation


5.15. Resource Mobilisation by Sahara Pariwar

5.16. Investment Pattern of Sahara Pariwar

5.17. Role of Self Help Group

5.18. Role of Village Mutual Fund

5.19. Testing of Hypothesis

**Chapter VI. Findings and Suggestions**

6.1. Findings

6.2. Suggestions