PART - II

CHAPTER - 7

REVIEW/FORMATION OF POLICIES AND PROCEDURES

-- INTRODUCTION
-- OBJECTIVES OF AGRICULTURAL FINANCE
-- TECHNIQUES OF LENDING FOR AGRICULTURE
-- POLICY OF AGRICULTURAL LENDINGS BY STATE BANK OF INDIA
-- POLICY OF AGRICULTURAL DEVELOPMENT UNDER THE PLANS
-- DEVELOPMENT POLICIES AND PRIORITIES DURING THE FIVE YEARS PLANS OF ASSAM
-- STATE'S MACHINERY FOR THE AGRICULTURAL DEVELOPMENT
-- BANKERS AS DEVELOPMENT AGENCIES
7.1 INTRODUCTION:

Procedures are sort of plans in that they establish a customary method of handling future activities. Procedures are guide to action rather than to thinking. There are action plans comprising details of execution process of accomplish banking objectives. Their essence is chronological sequence or required actions. The purpose of policies is to guide thinking in decision-making by making off areas of discretion. The rules although serve the purpose of guides, they allow no discretion in their application. Political and fiscal thinking of the government with respect to agricultural development of the state gets shape in the form of policy formulation. The formulation of policies at micro-macro level precedes the adoption of procedures by an institution/enterprise/establishment/organisation. The executives draw the action plan as media to materialise the policies. The success of the State Bank of India depends upon how effectively the procedural plans are drawn up. The State Bank of India generally follow the guidelines as prescribed by the Reserve Bank of India.

Under the Reserve Bank of India Act and the Banking Regulation Act, 1949, the Reserve Bank of India has been vested with a wide range of power of supervision and control over State Bank of India and Co-operative banks.

The various aspects of the supervisory/regulatory functions exercised by the Reserve Bank may be briefly mentioned as under;
1. Licensing of Banks: There is a statutory provision that a company starting banking business in India has first to obtain a licence from the Reserve Bank of India. If RBI is dissatisfied on account of the defective features of the proposed company, it can refuse to grant the licence. The Bank is also empowered to cancel the licence of a bank when it will cease to carry on banking business in India.

2. Approval of capital, Reserves and Liquid Assets of Banks: The Reserve Bank of India examines whether the minimum requirements of capital, reserve and liquid assets are fulfilled by the banks and approves them.

3. Branch Licensing Policy: The Reserve Bank exercises its control over expansion of branches by the banks through its branch licensing policy. In September 1978, the RBI formulated a comprehensive branch licensing policy with a view to accelerate the pace of expansion of bank offices in the rural areas. This was meant to correct regional imbalances of the banking coverage in the country.

4. Inspection of Banks: The Reserve Bank is empowered to conduct inspection of banks. The inspection may relate to various aspects such as the banks' organisational structure, branch expansion, mobilisation of deposits, investments, credit portfolio management, credit appraisal, profit planning, manpower planning, as well as assessment of the performance of banks in developmental areas such as deployment of credit to the priority sectors, etc. The Bank may conduct ad hoc investigation whenever there are complaints about major irregularities or frauds by certain banks.
The inspections are basically meant to improve the working of the banks and safeguard the interests of depositors and thereby develop a sound banking system in the country.

5. Control over Management :- The Reserve Bank also looks into the management side of the banks. The appointment, re-appointment or termination of appointment of the chairman and chief executive officer of a private sector bank is to be approved by the Reserve Bank. The bank's approval is also required for the remuneration, perquisites and post-retirement benefits given by a bank to its chairman and chief executive officer.

The Boards of the public sector banks are to be constituted by the Central government in consultation with the Reserve Bank.

6. Control over Method :- The Reserve Bank exercises strict control over the methods of operation of the banks to ensure that no improper investment and injudicious advances are made by them.

7. Audit :- Banks are required to get their balance sheets and Profits & Loss Accounts duly audited by the auditors approved by the Reserve Bank. In the case of the State Bank of India, the auditors are appointed by the Reserve Bank.

8. Credit Information Service :- The Reserve Bank is empowered to collect information about credit facilities granted by individual banks and supply the relevant information in a consolidated manner to the banks and other financial institutions seeking such information.

9. Control over Amalgamation and Liquidation :- The banks have to obtain the sanction of the Reserve Bank for any voluntary amalgamation. The Reserve Bank in consultation with the Central Government can also suggest compulsory reconstruction or amalgama-
tion of a bank. It also supervises banks in liquidation. The liquidators have to submit to the Reserve Bank returns showing their positions. The Reserve Bank keeps a watch on the progress of liquidation proceedings and the expenses of liquidation.

10. Deposit Insurance: To protect the interest of depositors, banks are required to insure their deposits with the Deposit Insurance Corporation. The RBI has promoted such a corporation in 1962, which has been renamed in 1978 as the Deposit Insurance and Credit Guarantee Corporation.

11. Training and Banking Education: The RBI has played an active role in making institutional arrangement for providing training and banking education to the bank personnel, with a view to improve their efficiency.

7.2 OBJECTIVES OF AGRICULTURAL FINANCE:

Before the imposition of the social control of banks, commercial banks provided mostly indirect credit to the agricultural sector. But in recent years, after the nationalisation of commercial banks, they have started providing direct credit to agricultural sector. Agriculture financing in the Assam, as well as Golaghat district is full of risk, because farmers depend mostly upon monsoon rains for their crops. Cultivation, moreover, is uncertain and varies from year to year because of uncertain and unpredictable monsoon. The average farmer of Assam is so poor that he is unable to provide any tangible security except land. But the nationalisation of 14 major commercial banks in 1969 and 6 more in 1980 has led to a greater involvement of these banking institutions in the financing of agriculture under the direction of the Reserve Bank and the Government of India.
Some of the important objectives of agriculture financing are:

(i) To help increase agricultural production,
(ii) To help till the existing credit gap in the field of agriculture,
(iii) To provide adequate and timely credit for viable agricultural schemes,
(iv) To help achieve the national plan objectives, with special emphasis on the weaker sections,
(v) To help in including banking and saving habits among the rural people, and
(vi) To assist cultivators in adopting improved methods of agriculture.

The financing of agriculture is thus the most important part of rural credit. The following chart shows the various institutional channels of agricultural credit in the district.

**Chart**

Institutional Channels of Agricultural Credit

<table>
<thead>
<tr>
<th>Agricultural Credit</th>
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<tbody>
<tr>
<td>State/Apex Co-operative Banks</td>
</tr>
<tr>
<td>Scheduled Commercial Banks</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
</tr>
<tr>
<td>State Co-operative Land Development Banks</td>
</tr>
<tr>
<td>District Central Co-operative Branches</td>
</tr>
<tr>
<td>Under Agricultural Development Branches</td>
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<tr>
<td>Primary Co-operative Land Development Bank &amp; Branches</td>
</tr>
<tr>
<td>Large size Primary Farmens Service Societies</td>
</tr>
<tr>
<td>Multipurpose Agricultural Service Societies</td>
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<tr>
<td>Primary Agricultural Service Societies</td>
</tr>
<tr>
<td>(a) S.F.D.A. (c) P.C.S.</td>
</tr>
<tr>
<td>(b) M.F.A.L. (d) F.S.S.</td>
</tr>
</tbody>
</table>

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7.3 TECHNIQUES OF LENDING FOR AGRICULTURE

Under the guidance of Reserve Bank of India, there has been a major change in the banks' lending patterns and policies to agriculture in the post nationalisation period for the purpose of raising the productivity of the rural poor and productivity in agriculture.

Agricultural Advances:

Agricultural advances are broadly classified into direct and indirect.

The direct advances are those granted directly to the agriculturists. They are further classified into short-term, medium-term and long-term advances, depending on their mode of repayment period.

Short-Term:

Short-term advances are for a maximum period of 18 months and are given to farmers for the purchase of production inputs like seeds, fertilizers, pesticides, and to enable them to meet the cost of cultivation, including labour charges for agricultural operations, irrigation and power charges. These advances are popularly known as crop loans or production loans.

The objective of the scheme is to meet the genuine credit needs of farmers and enable them to move to a higher technological plane of production activity with a view to improving the productivity of their farms, maximising farm income and raising the level of their living conditions. Production loans or crop loans are repayable when the crops are harvested and marketed.

Banks considered these loans as demand loans. To large farmers having a multiple cropping programme, a cash credit
facility is given with a suitable schedule of disbursement and repayment, which is worked out on the basis of the cropping pattern followed in different crop seasons in the year.

Scale of Finance:

The crop loan (working capital) requirements of agriculturists depend on the area and type of cultivated land, the nature of the crops grown, the level of cultivation, whether improved practices of cultivation have been adopted, etc. Since the credit requirement for crop production vary from region to region, farmer to farmer and crop to crop. It is advisable and convenient for bank branches to work out crop-wise per acre finance requirements on an average basis for a particular crop area. The average per acre finance requirement for a particular crop is referred to as the scale of finance. The scale of finance is usually related to a compact area, covering one or more blocks which have homogenous agro-climatic conditions, and follow the same cropping pattern and method cultivation.

Components:

The scale of finance broadly consists of two components, viz, finance which is to be disbursed in kind for the purchase of such production inputs as seeds, fertilizers, pesticides etc, and finance that is required to be disbursed in cash to enable the farmer to meet cultivation expenses, such as the payment for hired labour wages, payment for carrying out tillage practices, hire charges for tractor and other agricultural machinery, electricity charges, etc. The farmer is referred to as the kind component and the latter as the cash component.
The kind component of the scale of finance should be fixed with reference to the variety and quantum of seeds, types and doses of fertilizers, pesticides and insecticides etc., which an average progressive farmer uses and which are recommended to him by the Block Extension Agencies in the area.

The cash component of the scale of finance for each crop is intended to meet broadly the probable outlay on various farm operations, such as ploughing and tillage practices for the preparation of the soil for the crop, bunding, harvesting, etc.

Credit Limit:

Normally, the quantum of loan is 75 per cent of the scale of finance wherever a mortage is obtained as security, the loan amount is considered as under:

<table>
<thead>
<tr>
<th>Sanctioned Limit</th>
<th>% of Scale of Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 1000/-</td>
<td>100</td>
</tr>
<tr>
<td>Rs. 1000/- to Rs. 10,000/-</td>
<td>90</td>
</tr>
<tr>
<td>Rs. 10,000/- and above</td>
<td>80</td>
</tr>
</tbody>
</table>

The agricultural borrower's capacity to repay the loan is affected by unrealistic repayment schedules and heavy consumption expenses. Moreover, other problems are likely to arise because of the following reasons:

(i) Natural calamities like floods, droughts, pest attacks, etc., affecting the whole area and setting at naught the efforts of the farmers,
Death or physical incapacity of the borrower or any unusual circumstances beyond his control, consequent upon which there is a setback in his farming activities.

When such calamities occur, special measures are necessary to ensure that there is no permanent cessation of farming activities, for farmers do not have the requisite strength to bear the losses.

To meet these contingencies, there is a built-in provision in the scheme of agricultural credit. The banks offer two types of facilities in the event of such calamities: (i) Conversion of a crop loan into a term loan for seasonal agricultural operations; and (ii) Rescheduling of the repayment programme for term loans sanctioned for investment purposes.

Conversion of Crop Loan into Term Loan

When a crop loan is sanctioned for a farmer to enable him to carry on his seasonal agricultural operations, it is made repayable out of the sale proceeds of the harvested produce. If, however, the crops raised with bank finance are affected by natural calamities, or if the borrower faces some unforeseen contingencies resulting in considerable damage to the crops, he suffers a heavy loss. His capacity to repay the crop loan is therefore eroded. At this stage, not only will he require a postponement of the crop loan repayment, but he will need additional support from the bank so that he may resume cultivation activities during the next season. To meet such a requirement, the scheme provides for the transfer of the balances in the short-term loan account, which is usually in the form of a cash credit.
facility, to a medium-term loan account, with a repayment schedule generally extending over a period of 3 years, depending upon the repaying capacity of the farmer. A fresh crop loan is sanctioned for the farmer to enable him to carry on his cultivation activities in the next agricultural season.

The farmer requires time to repay the current loan and financial to take up the cultivation of the next crop. One this facility is provided, he will be capable of generating in the ensuing years enough income not only to repay the current crop loan but the instalments of the converted crop loan as well. This means that the facility cannot he extended in all cases whenever there is a crop failure. It is not an act of sympathy alone on the part of the banker. It is sympathy combined with the judgement of the field staff about the borrower’s capacity to recoup the losses in future.

The Deposit Insurance and Credit Guarantee Corporation extends its guarantee support for conversion facilities, covering the duties in respect of even three agricultural seasons. The bankers, however, seem to be very reluctant to extend these facilities even to those who genuinely need them. The reluctance for the extension of these facilities on the part of the field staff may arise out of the following apprehensions:

(i) If the facility is extended in a few deserving cases, they may be confronted with a spate of requests from a large number of farmers, in which case it will be difficult to distinguish genuine cases from these which are not genuine.

(ii) In the case of conversion, the loan burden of the farmer for the future years is increased. Why take the risk of financing a farmer again, when he is not able to clear the present loan? In
the co-operative sector, we have the spectacle of a series of crop loans converted into term loans which are not repaid. Why invite such a risk?

(iii) The desk work and procedural requirements in extending the facility are time-consuming.

In agricultural finance, it is needless to reiterate the need for the close contracts which the field staff are expected to maintain with the farmers. When there are such contracts, and when proper information about the operations of the borrowers is available, the field staff is aware of the progress and problems of the farmer-borrowers in the area. In such a situation, they have no difficulty in weeding out the spurious cases clamouring for this facility. On the other hand, the facility extended to deserving farmers helps in establishing the image of the bank in the community as an institution which has not only replaced the moneylender, but is one which cares for the people.

For small/marginal farmers, the imputed value of family labour and farmyard manures, which they put into farm operations, may be considered as margin money contribution. Accordingly, a 100 percent of the scale of finance is considered for advance facility.

Medium-Term

The medium-term advances, which are for a period up to 5 years and, in the case of small farmers, 7 years, are granted for development purposes and are, therefore, often known as investment loans. The loans for the following purposes may be classified as medium-term loans, provided, of course, that their term does not exceed 5-7 years:
1. Minor irrigation development through dugwells/bore wells/tube-wells; revitalisation of existing wells; lift irrigation schemes; installation of pumpsets; 2. Purchase of drought animals like bullocks; 3. Construction of farm houses, such as cattlesheds, implement shed; 4. Farm mechanisation with the purchase of tractors and accessories, power tillers, sprayers, threshers and other agricultural machinery/equipment; 5. Land improvement schemes, such as land reclamation, levelling, bunding, terracing, etc; 6. Construction of godowns/silos; 7. Setting up of dairy, poultry, fishery, apiculture, sericulture and allied activities.

Following coverage under Medium-Term Loans:

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Medium Term Loans

Minor Irrigation Drought Animals Houses Mechanised Implements Land Godowns Allied Activities

Wells Pump Sets Farm Houses Cattleshed Implement Shed Lift Irrigation
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Long Term:

Where a scheme has a long gestation period, and, as a result, repayment is spread over a period of 10 to 15 years (with the requisite moratorium), the advances for it are classified as long-term loans. Long-term advances are granted for the following purposes:

1. Development of plantation crops, such as coffee, cardamom, tea, rubber; 2. Development of horticulture crops, such as coconut, arecanut, cashewnut, mango and other fruit crops;
3. Integrated schemes for the development of dairy, poultry, fishery; 4. Development of farm forestry.

Coverage under Long-term Loans:

- Development of Plantations
- Development of Horticulture
- Development of Forestry Integrated Schemes
  - Coffee
  - Cardamom
  - Tea
  - Rubber
  - Dairy
  - Poultry
  - Fishery

Indirect Advances

Bank also finance such agriculture service activities as marketing agro-service units, etc. The following are the sources of indirect advances:

(a) Loans for the working capital requirements of wholesale/retail traders/distributors/co-operative marketing societies for the procurement/distribution of agricultural inputs, such as fertilizers, pesticides, seeds;
(b) Loans for setting up a custom service unit/agro-service centre to provide the services of agricultural machinery to agriculturists on a contract/hire basis;
(c) Loans for setting up cold storage plants for the storage of potatoes, fish;
(d) Loans to Electricity Boards for their well-energisation programmes;
(e) Loans to Primary Agricultural Credit Societies which will then be granted to agriculturists;
(f) Loans to Agro-Industries Corporations and other public sector bodies for their agricultural development activities.

Depending on the period for which they are required, these indirect advances are again classified as short-term,
medium-term and long-term advances. Loans repayable in one year are classified as short-term advances. Loans repayable in 5-7 years are medium-term loans and those for a longer period are long-term loans.

7.4 POLICY OF AGRICULTURAL LENDINGS BY STATE BANK OF INDIA

By and large, co-operatives and commercial banks have distributed to loans to agriculture in a free manner in order that they may show a better quantitative performance. This posed many a problem relating to service and recovery. It was realised that scattered lendings were not convenient, for they entailed a number of operational difficulties, particularly those of supervision, follow-up and recovery. Restricting the area of operation then became a need, and the area approach became an alternative to scattered lendings. The approach basically involved the identification of compact and contiguous area comprising a cluster of villages for the purpose of agricultural advances. However, the approach was meant to be broad-based. It was thought that, by adopting the area approach, it would be possible to effect an intensive coverage of all viable and potentially viable farmers in a given area. It was also felt that it would be possible for a bank to provide complementary services, such as arrangements for timely and adequate supply of inputs, technological guidance, marketing, etc., and that this would go a long way in improving the economy of the area. Besides, it was presumed that, by following the area approach, it would be easier to co-ordinate with other agencies and that, operationally, it would be more convenient to supervise, follow up and recover advances. The approach therefore aimed at intensive coverage, effective co-ordination and operational convenience at the micro level. Village
adoption came later as a further retirement of the area approach, in which the focus was narrowed down to the village.

**Lending patterns, in Agriculture**

![Diagram of Lending Patterns]

From the operations angle, the area approach has several merits which scattered lending do not have. The most important among them are:

(i) Coverage of a large number of farmers by a small number of field staff and field visits; (ii) Curtailed requirements of transport; and (iii) Easier and less expensive supervision, follow-up and recovery.

**Advantages of Area Approach**

From the broader and more important point of view of modernising and developing agriculture as an industry, however, many other opportunities are offered by the area approach. These opportunities are:

(1) Modern method of cultivation call for a number of inputs, such as fertilizers, improved varieties of seeds, insecticides, etc. and also certain infrastructural facilities, such as storage, marketing and transport. To provide these inputs and infrastructural facilities, it is necessary to build a dependable system in an organised manner. For example, if a marketing arrangement is a
system for serving specific area, it is necessary to have an optimum level of utilization of this system by the farmers in the area, so that it may function as a viable unit. The optimum demand for the utilization of any system can be built up only when a sufficient number of farmers, requiring the facilities offered by the system, are available in a compact area. Only the area approach of lending can create such a situation. (2) The adoption of modern methods of cultivation can be achieved by intensive extension work. Even today, a large number of farmers are hesitant to give up their traditional methods. They have to be educated and convinced that modern technology and scientific methods of farming can turn agriculture from a way of life into a commercial proposition. This type of education and necessary motivation can be possible and effective only when a sizable number of borrowers are located in one place. The area approach strategy offers such an opportunity. (3) The success of the extension service depends largely upon the confidence and trust which the target group places in the extension workers. These are built up only when extension workers repeatedly and frequently visit farmers and help solve their problems. This can be achieved only when attention is focussed on a limited area for an intensive coverage. (4) When a large number of farmers are involved within a compact area, other agencies working towards the betterment of agriculture can be meaningfully associated, and concerted efforts can be made for an all-round improvement. (5) There are certain activities which can be successfully taken up only with group participation because individual investment, either due to lack of facilities or because of heavy outlays, are not feasible. Minor irrigation for small farmers and non-land based activities, either allied to
agriculture or cottage and rural industries, have a special significance in this regard. By following the area approach strategy, it would be possible to motivate a group of potential borrowers to collaborate in joint efforts for their own economic betterment. (6) In the area approach strategy, a specific area, instead of an individual farmer, is viewed as a unit. Suitable location specific projects can be planned, taking into account the resources available in that area and the scope for the maximum exploitation of these resources. Such projects benefit the entire community and have a wholesome effect on the rural economy. (7) Lastly, scattered lending over a vast area do not create any impact of bank credit on agricultural development. The impact becomes pronounced and observable only when credit is intensively given in a compact area. This can then be assessed and evaluated. Without proper evaluation, effective improvements in lending schemes, as also in the style of lending, cannot be implemented.

It is obvious from these facts that the area approach strategy for agricultural lendings not only serves the interests of banks, but is the only systematic method of achieving the goal of development in the field of agriculture in consonance with the national policy.

Village Adoption Scheme

Agricultural lending on a scattered basis, besides posing the problem of effective follow-up and economic servicing of accounts does not produce any fall-out effect an essential precondition before agricultural advances can make an impact and gather momentum. Financing agricultural development, therefore, calls for the involvement of a bank in identifying the
potentiality of the area and formulating programmes to cater to
the integrated credit needs of agriculturists -- production
credit, investment credit, marketing credit, etc, such lending in
compact areas enables a bank to achieve a close supervision and
follow-up of the accounts.

As a part of the area approach strategy, the State Bank
of India formulated the village Adoption Scheme in 1973-74. Under
this scheme, which aims at intensive efforts for the improvement
of the village economy, contiguous villages are grouped together,
and the entire credit requirements of the farmers in these
villages for agricultural and allied operations are provided by
the designated branch of Bank. The branch in question is equipped
with the necessary technical and other staff, who are not only
expected to deal with the loan applications expeditiously but to
provide the necessary technical guidance and advice to the farmer-
borrowers. The scheme aims at an integrated development of the
agricultural economy of the adopted villages. At the same time, it
avoids the possibility of overlapping the efforts and resources in
the same area by two or more other commercial banks.

Review:

The village adoption scheme was reviewed during the year
with a view to removing certain misconceptions about its
implementation and issuing the necessary clarifications to banks.
The latter were advised that the adoption of villages should only
mean that they had declared their intention to do intensive
lending in the area and that this did not preclude other banks
from financing in that area. It is for the bank adopting the
village to take special interest in the development of the village
in co-ordination with the other lending agencies functioning in that area.

Selection of villages:

The villages to be adopted should have a good potential for development and for agricultural finance for that purpose. The collection of data for the purpose of getting an idea of development potentialities and possibilities was, therefore, the first step in the selecting villages. A detailed techno-economic survey of the villages in the area of the operations of the branch was carried out to assess their development potentialities. The data were available in the village records/official records at the block level and with the Groundwater Survey Agency. The feasibility of financing agriculturists for various development schemes was assessed on the basis of the data collected. Villages were selected for adoption on the basis of an assessment thereof. Though agriculture and its allied activities constitute the bulk of the activity in the village, bank branches also assessed the potentiality for financing village agriculturist, village industries, artisans, other self employed professions, small and retail business, etc. As far as possible, the branch adopted a cluster of villages in a compact area.

Approach:

Once the village were selected, their adoption involved the following steps:

(i) Preparation of the Bank Plan/Phased Action Programme;
(ii) Identification of Eligible Borrowers; (iii) Formulation of individual schemes.
The idea of village adoption presupposes a commitment on the part of the bank for its development and, therefore, calls for concentrated efforts on its part. Branches maintained a close rapport with block and extension officials and endeavoured to uplift the economic condition of the villages.

7.5 POLICY OF AGRICULTURAL DEVELOPMENT UNDER THE PLANS:

Agricultural Situation on the Eve of Planning:

In spite of the fact that Indian agriculture received a good deal of attention from the government in the pre-British and British eras, it remained in a highly unsatisfactory state.

The British rulers tried to encourage Indian agriculture to ensure a regular and satisfactory supply of raw materials for the British industry and also because increased purchasing power of the Indian agriculturists, who have always formed the bulk of the Indian population, may provide an expanding market for the
British manufactures. Irrigation works were undertaken; demonstration and experimental farms were set up. Laws like the Punjab Land Alineation Act, and the Antimoney Lending Acts were passed to protect the agriculturists from the clutches of the non-agriculturists; provision was made for agricultural education; veterinary hospitals were opened for the agriculturists' cattle and so on.

But Indian agriculture did not respond to these measures. It remained in a depressed state. Perhaps the problem was too big and the measures adopted too feeble or too few to meet the requirement of the situation. It is estimated that between 1900 and 1945, agricultural production increased by only 12.6 per cent. Since population during the period increased by much more, agriculture failed to meet our needs. The fact is that Indian agriculture on the eve of planning was in a state of stagnation. The yield per acre was too small; the population of irrigated areas to total area was just a fraction. The supply of fertilisers and improved seeds had not reached the average farmer. The methods of cultivation were most inefficient and agricultural technique obsolete. The farmer still used century old plough and his bullocks were a mere bag of bones. His poverty was appalling and his standard of living the lowest in the world. Most of the farmers were still outside the co-operate told. A rip van winkle who woke up after a sleep of a century world find little change in Indian agriculture.

No wonder that we suffer from acute food shortage and industries lacked the essential materials either in quality or in quantity. The partition was itself a greater blow to Indian agriculture. This was the situation when planning came to India.
Post Independence Trial:

During the post independence period, the first 'pilot project' for rural development was started in 64 villages of Etawah district of UP in September 1948 on a trial basis. In 1947-48 the Grow More Food (GMF) campaign which was launched in 1942, restarted for attaining self-sufficiency in foodgrains by 1952. Vinoba Bhave started the Bhoodan movement to acquire the surplus land through donation and to distribute the same to landless families in 1949. The 'Gramdan', 'Shramdan' and 'Sarvodaya' scheme were started for rural reconstruction on the inspiration of the ideals of Mahatma Gandhi. All the efforts, did not success due to more on less adhoc and incongruous in nature without well defined objectives. Besides, these movement were started an trial basis rather than permanent approach. However, these left axiomatical experience to the national policy makers of independent India.

Agricultural Policy

Agriculture has occupied a most prestigious position in the Indian economy. It contributes over two third of the national income. As such, during the successive Five Year Plan, the highest priority has been given on the agriculture and its allied sectors.

During the British rule, little attention has been placed to local development through these sectors. Their agricultural policy was mainly to export the food and raw materials to their own country. The development of agriculture through research and education had got the importance after the submission of the report of the Royal Commission on Agriculture in 1928.

In 1942, the grow more food campaign was started. Later on this was modified as integrated production programme and merged with the five year plans.
In 1946, the Agricultural Food Policy was reframed and laid down the responsibilities of the central and provincial government about food self-sufficiency to the advantage of weaker sections.

The Community Development Programme in 1952, had strassed on the improvement of agriculture as a integral part of the village programme.

In 1960-61, the Intensive Agricultural District Programme was started. It laid emphasis on package programme on selected areas. The new strategy of agricultural development with scientific inputs had been introduced during 1966-67. Since 1970-71, the growth with stability and the growth with social justice were adopted as a major aim in agricultural development. Besides, along with agriculture the development of animal husbandary and inland fisheries were also got importance. The national forest policy of 1894 was revised in 1952 for large-scale production of forestry.

Presently, a long-term new agricultural policy till 2000 A.D. was evolved to raise the agricultural production and for achieving the self-sufficiency in foodgrains.

Moreover, several other policies dealing with land, food, price, irrigation, mechanisation and credit services etc. have been framed during the successive five year plan. But markedly there have been no integrated agricultural policy statement prepared by the government in the post independence period.*1

The aim of the Agricultural Policy was to accelerate the growth rate and promoting the social and economic welfare of the society. As such, the National Commission on Agriculture has recommended some objectives. Following are the objectives:

1. To secure demand-supply balance and distributive justice.
2. To reduce the disparity of income of the weaker sections.
3. To generate sufficient employment and for increasing the rate of production, along with foodgrains, integrated effort should be made for crop production, livestock and poultry, fishery and forestry.
4. Intensive use of land and technology of faster increase in production.
5. In order to reduce the nutritional deficiencies, the production policy should be nutrition oriented.
6. The policy laid emphasis on the equitable allocation of resources for the development of backward area and infrastructure development for the eradication of poverty.

Agricultural Development under Five Year Plans:
First Plan

India's First Five Year Plan gave top priority to agriculture. Of the proposed total outlay of Rs 2,069 crores, 32 percent was to be spent directly on agriculture and irrigation, extension of irrigation facilities, increase in the cropped area by schemes of land reclamation and higher yields from lands already under cultivation, through improved techniques were provided for. Actually a sum of nearly Rs 600 crores was spent on programmes of agricultural development.
The reform of an antiquated land system, which was hampering agricultural production, setting up a nation-wide agricultural extension service as a comprehensive community development programme, expansion of irrigation facilities and the establishment of a number of specialised institutions for providing credit for agriculture were the notable features of the first plan.

The target set out for the plan were almost achieved and, in some cases, even exceeded. Exceptionally favourable weather conditions proved very helpful. The production of foodgrains amounted to 65.8 million tonnes against a target of 61.6 million tonnes, of oilseeds 5.6 million tonnes against a target of 6.3 million tonnes, of cotton 40 lakh bales against a target of 54 lakh bales. Even where targets were not achieved, production was quite substantial; for instance, the production of the cotton increased by 54.3 per cent and Jute by 33.8 per cent. The production of all agricultural commodities increased by 22.2 per cent, whereas the production of foodgrains increased by 27.4 per cent.

Second Plan

The second plan carried the basic policies initiated under the First Plan a step further. Out of total outlay of Rs 4,600 crores, Rs 950 crores were spent on agricultural development i.e., about 20 per cent. Basic facilities like irrigation, power and transport which are essential for agricultural development were greatly expanded. The consumption of nitrogenous fertilizers increased from 44,000 tons in 1950-51 to 105,000 tons in 1955-56 and to 230,000 tons in 1960-61. The net irrigated area went up from 51.5 million acres in 1950-51 to 56.2 million acres in 1955-
56 and 70 million acres in 1960-61.

The Second Plan raised food output from 65.8 to 79.7 million tonnes, against a target of 80.5 million tonnes, oilseeds from 5.6 to 6.5 million tonnes against a target of 7.6 million tonnes, sugarcane from 6.0 to 10.4 million tonnes against a target of 7.8 million tonnes, cotton from 4.0 to 5.4 million bales against a target of 6.5 million bales, and Jute from 4.2 to 4.0 million bales against a target of 5.5 million bales. *2

Thus, with the exception of sugarcane there was a shortfall in all crops. However, there was an increase of 27 percent in the overall agricultural production and 18.9 percent in the production of foodgrains.

**Third Plan:**

The food shortage towards the closing years of the Second Plan brought out the danger of giving agriculture a secondary position. Accordingly, the Planning Commission observed: "In the scheme of development during the Third Plan the first priority necessarily belongs to agriculture." Hence out of a total proposed outlay of Rs 10,4000 crores, a sum of Rs 2,110 crores (i.e. 20 per cent) was allotted to agriculture and irrigation (Rs 1,460 crores for agriculture and Rs 650 crores for major and medium irrigation works) The actual expenditure in the Third Plan amounted to Rs 1,089 crores.

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The Third Plan aimed at raising overall agricultural production by 30 percent, foodgrains by 30 percent and non-food crops by 31 percent. For the achievement of these objectives the measures to be adopted included extension of irrigation, soil conservation, dry farming and land reclamation, plant protection, better tools and implements, larger supplies of manures and fertilisers, multiplication and distribution of improved seeds and adoption of improved techniques of cultivation. However, the achievements of the Third Plan were disappointing owing to consistently unfavourable weather conditions over a series of years. There were considerable shortfalls in agricultural production. Against a plan target of 100 million tonnes, the foodgrains output came to 88.4 million tonnes in 1964-65 but dropped to 72.3 million tonnes in 1965-66. It barely increased 10 percent against the target of 30 percent increase. The production of oilseeds in 1965-66 amounted to 4.06 million tonnes against a target of 9.8 million tonnes; the output of sugarcane was 10.0 million tonnes (the same was the target), of cotton 4.0 million bales against a target of 7.0 million bales and of jute 4.6 million bales against a target of 6.2 million bales. *3

Thus the Third Plan was a miserable failure on the agriculture front.

Three Annual Plans (1966-69)

The performance of agriculture during the Third Plan period excepting 1964-65, was not satisfactory. The improvement in 1964-65 due to favourable weather conditions proved to be short-lived. In 1965-66 and 1966-67, agricultural production fell

precipitously due to unprecedented and widespread drought. In 1967-68, however, there was marked and welcome spurt in agricultural production as a combined result of the establishment of high-yielding varieties of cereal seeds, the incentive of higher prices, increased use of fertilisers, pesticides and water and, not the least favourable weather conditions. But the season of 1968-69 was less satisfactory so that the production was marginally lower even though the inputs were substantially increased.

The production of foodgrains increased from 74.2 million tonnes in 1966-67 to 94 million tonnes in 1968-69; and in the same period production of sugarcane increased from 9.5 million tonnes to 12.0 million tonnes, of oilseeds from 8.2 million tonnes to 8.8 million tonnes, and of cotton from 50 lakh bales to 53 lakh bales. *(4)

### Agriculture in the Fourth Plan

The years from the end of the Third Plan to the commencement of the Fourth Plan were years of great significance for Indian agriculture. It was during this period that the new agricultural strategy was tried out and the beginning of what has come to be known as the ‘green revolution’ were made. The farmer responded favourable to a continuation of food prices, high-yielding seeds and adequate fertilisers. He took to improved farm practices as readily as to non-traditional farm inputs. It was in this background that the Fourth Plan’s targets and strategy of agricultural development were determined.

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*(4) Government of India, Ministry of Agriculture.*
Objectives: The plan had the following two main objectives in the agricultural sectors: (i) To provide the conditions necessary for a sustained increase of about 5 percent annum over the next decade; (ii) to enable as large sector of the rural population as possible, including the small cultivator, the farmer in dry areas and the agricultural labourers to participate in development and share its benefits.

The total outlay for agriculture and allied sectors provided in the Fourth Plan was of the order of Rs 2,728 crores, besides Rs 1,087 crores for irrigation and flood control.

On the whole the progress of agriculture over the period of the plan may be said to be altogether disappointing. While the plan had envisaged growth rate of 5.0 percent per annum in agriculture, the actual achievement was 5.1 percent, 4.7 percent, 1.7 percent and 5.5 percent in the years 1969-70, 1970-71, 1971-72, 1972-73. The year 1969-70 and 1970-71 gave evidence of the success new agricultural technique and the year 1970-71 witnessed a record crop of 108 million tonnes of foodgrains in the two successive year (1971-72 and 1972-73) agricultural production received a sharp setback and actually suffered an overall decline in output, foodgrains output falling to 103.6 million tonnes in 1973-74. There was severe and widespread drought, particularly in respect of foodgrains, groundnut and raw jute. The agricultural economy of the country thus seemed to be in reverse gear. This also showed that in spite of four Five Year Plans, agriculture still remained precarious and unstable.

More specifically, in terms of the main programmes of agricultural development the progress of the high-yielding
varieties programme was quite satisfactory against the Fourth Plan target of 25 million hectares, it spread to 11.4, 15.4, 18.2 and 22.5 million hectares of land in the four years of the plan. But owing to several reasons, it impact on production was not proportionate to the area expansion. The consumption of fertilisers was also significantly below the targets. Likewise the targets of other agricultural development programmes also remained unfulfilled.

Fifth Plan

The strategy of agricultural development through the expansion of area under high-yielding varieties (HYV) and multiple cropping was proposed to be continued with special emphasis on:

(a) small and marginal farmers, (b) dry farming techniques, (c) evolving high-yielding varieties of crops other than wheat, and (d) soil conservation measures on saline and alkaline soils and for desert land reclamation.

A provision of 4.644 crores, i.e. nearly 12 percent of the total outlay, was made for agriculture and allied programmes.

The total production in the agricultural sector was targeted to grow as follows: foodgrains to 132.5 mt, oilseeds to 12.6 mt, sugarcane to 173.5 mt, cotton to 9.0 million bales of 170 kg, jute and mesta to 7.7 million bales of 180 kg, all in 1978-79, the last year of the plan. The area under HYVs was to be raised to 40 million hectares and fertiliser consumption to 5 mt. (mt denotes million tonnes).

   (b) Government of India, Economic Survey.
The agricultural development programmes also included soil and water conservation and command area—development programmes, animal husbandry and dairying, fisheries, and flood control.

However, the progress in agriculture was uneven as among the different years of the plan, output varying according to the weather. Owing to drought, foodgrains production slumped to 99.8 million tonnes in 1974—1975 while 1975—76 yielded a bumper crop of 121 million tonnes of foodgrains, in the following year (1976—77), their output fell sharply to 111.6 million tonnes, a fall of over 9 million tonnes in a single year. Thanks, however, to favourable monsoons in 1977—78, the foodgrains production scaled a new peak at 126 million tonnes.

But the output of pulses and oilseeds, which have a special significance in the dietary of the people remained stagnant and caused considerable hardship to the common man. Sizable shortfalls also occurred in the various physical agricultural development programmes like HYV programme and production of fertiliser.

As against the target of additional irrigation potential of 13.1 million hectares for the five year of the Plan, the actual achievement was 8.6 million hectares over the four years of the plan. *6

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Sixth Plan (1980—85)

The aims of the agricultural programme during the Sixth Plan period were:

(a) to consolidate the gains already achieved;
(b) to accelerate the pace of implementation of land reforms and institution building for beneficiaries;
(c) to extend the benefits of new technology to more farmers, cropping systems and regions and to promote greater farm management efficiency through concurrent attention to cash and non-cash inputs.
(d) to make agricultural growth not only an instrument of maintaining an effective national food security system but also a catalyst of income and employment generation in rural areas;
(e) to promote scientific land water use patterns based on considerations of ecology, economics, energy, conservation and employment generation; and
(f) to safeguard the interests of both producers and consumers by attending to the needs of production, conservation, marketing and distribution in an integrated manner.

A sum of Rs 5,695 crores nearly (5.8 per cent of the total outlay) has been provided for agriculture in the Sixth Plan.

Besides, Rs 5,364 crores nearly (on 5.5 percent of total outlay) has been provided for Rural Development and Rs 12,160 crores (or 12.5 percent of the total outlay) has been provided for irrigation and flood control. These outlays also promoted agriculture.

The Sixth Plan aimed at 3.8 per cent per annum growth in agricultural production. But the actual growth rate was 4.3 percent. In the first year of the Sixth Plan, i.e, in 1980-81, the
agricultural production increased by 15.6 percent. But 1982-83 recorded a negative growth of 3.3 percent. Agricultural production again picked up in 1983-84 when the growth rate was 13.7 percent. In the last year of the plan, i.e., in 1984-85 agricultural production decelerated to register a growth only by 1.2 percent. The foodgrains output was 14.6 million tonnes in 1984-85 as against the target of 154 million tonnes. The actual output of oilseeds exceeded the target. The production of sugarcane, jute and cotton fell short of the targets. *7

Seventh Plan (1985-90)

The Seventh Plan aims at an annual average increase of 4 percent in agricultural production.

A sum of Rs 10,523.6 crores (5.8 percent of total outlay) has been provided for agriculture in the Seventh Plan. Besides, Rs 8,906.1 crores and Rs 2,803.6 crores have been provided for rural development and special area programme respectively.

Targets and Achievements

The first three years of Seventh Plan were all poor monsoon years. As result of this, the agricultural production received a setback in the first three years of the Seventh Plan. The index of agricultural production declined by 3.7 percent in 1986-87 and 1 percent in 1987-88. In 1985-86, the production of foodgrains was 150.44 million tonnes as against the target of 159.20 million tonnes.

*7: Govt. of India, Agricultural Statistics at a Glance. Govt. of India, Ministry of Agriculture, Annual Report (1985)

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In 1986-87, the production of foodgrains declined to 143.42 million tonnes as against the targeted output of 160 million tonnes. The production of foodgrains further declined to 138.41 million tonnes in 1987-88. But it increased to 170.25 million tonnes in 1988-89 recording 21.3 percent growth over 1987-88. In 1989-90, the production of foodgrains has been estimated at 170.6 million tonnes. In short, declaration in agricultural production took place during 1985-86 to 1987-88. However, it got accelerated in 1988-89 with 20.8 percent growth over 1987-88. In 1989-90, the agricultural production recorded a growth of 1.7 percent over 1988-89.

Agricultural production was commendable in the Seventh Plan with a 4.1 percent annual growth against the target of 4 percent rise. The target and achievements of agricultural production during the Seventh Plan are exhibited in the Table-7.1.
TABLE 7.1
TARGETS AND ACHIEVEMENTS OF AGRICULTURAL PRODUCTION DURING SEVENTH PLAN
(Million tonnes/hales)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Achievements</td>
<td>Target</td>
<td>Achievements</td>
<td>Target</td>
</tr>
<tr>
<td>1. Rice</td>
<td>63.50</td>
<td>63.83</td>
<td>65.00</td>
<td>60.56</td>
<td>64.65</td>
</tr>
<tr>
<td>2. Wheat</td>
<td>49.20</td>
<td>47.05</td>
<td>49.00</td>
<td>44.32</td>
<td>50.51</td>
</tr>
<tr>
<td>3. Coarse Cereals</td>
<td>30.00</td>
<td>26.20</td>
<td>32.00</td>
<td>26.83</td>
<td>32.50</td>
</tr>
<tr>
<td>5. Total Foodgrain</td>
<td>159.20</td>
<td>150.44</td>
<td>160.00</td>
<td>143.42</td>
<td>163.00</td>
</tr>
<tr>
<td>6. Oil Seeds</td>
<td>13.60</td>
<td>10.83</td>
<td>14.80</td>
<td>11.27</td>
<td>14.15</td>
</tr>
<tr>
<td>7. Cotton</td>
<td>8.60</td>
<td>8.73</td>
<td>8.80</td>
<td>6.91</td>
<td>8.30</td>
</tr>
<tr>
<td>(bale of 170 kgs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(bale of 180 kgs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Sugar Cane</td>
<td>191.00</td>
<td>170.65</td>
<td>190.00</td>
<td>186.09</td>
<td>185.00</td>
</tr>
</tbody>
</table>

Source: Government of India, Economic Survey, 1990-91

Eighth Plan (1992-97)

The overall goal of the Eighth Plan is to ensure a rapid all round development of the economy. This encompasses the growth rate of national income, as also the fulfilment of the needs of ordinary people and to improve the quality of their life. The target growth rate is fixed at 5.6 percent annual average for the period 1992-97. The emphasis is also on strengthening of infrastructure base, as also expansion of exports. In pursuing these objectives, it is emphasised that the planned growth should be so patterned as to take care of the natural environment, including the natural resource-base of the economy so as to prevent any irreversible damage to it. To take care of the poor and
the disadvantaged people, the plan aims at providing them with productive work, facilities for skill-formation, and social service bearing on health, education and training.

The total expenditure/size of the plan has been estimated to be Rs 792,000 crores at 1991-92 prices. In the field of agriculture priority is to be accorded to irrigation including the intensive use of watershed management in rainfed/drought prone areas. The highest priority is given to rural development with 50 percent of the plan-resources earmarked for it. The rural development is to encompass all the activities bearing on rural life.

These include: agriculture, irrigation, village industries, rural schools, hospitals and roads, inputs (like fertilisers, pesticides, diesel oil and electricity, transport and other infrastructure etc.

Process of Planning

In first place the responsibility of formulating and implementation of plans, in respect of rural development, (agricultural development) is largely to be taken over by the elected bodies of the Panchayati Raj Institutions. The plans for the relevant area are to be prepared as is done under area planning i.e., method whereby local resources including manpower and skill are organised for local development. The government will provide to the local bodies necessary finances, technical expertise, and staff for area planning.
Progress in Production and Productivity (1950-51 to 1990-91)

Agricultural output has risen throughout this period, though slowly. The following Table - 7.2 sets out the output figures for the main crops.

During the 40 years period, foodgrain production has risen around three-and-a-half times, from nearly 51 million tonnes to 177.2 million tonnes in 1990-91, that of cotton from 29 lakh bales to 100.2 lakh bales, of jute from about 33 lakh bales to 90.00 lakh bales. Thanks to the green revolution, the increase in the production of wheat has indeed been most remarkable from 6.4 million tonnes to about 54 million tonnes in 1988-89 i.e., over eight-and-a-half times. In 1989-90, the targets of course cereals and rice production are expected to were achieved.

**TABLE - 7.2**

**GROWTH OF AGRICULTURAL OUTPUT (1950-91)**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Item</th>
<th>Unit</th>
<th>1950-51</th>
<th>1988-89</th>
<th>1989-90</th>
<th>1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Foodgrains</td>
<td>mt.</td>
<td>50.8</td>
<td>170.25</td>
<td>170.6</td>
<td>177.2</td>
</tr>
<tr>
<td>2</td>
<td>Cotton</td>
<td>lakh bales of 170 kg</td>
<td>28.8</td>
<td>86.90</td>
<td>114.0</td>
<td>100.2</td>
</tr>
<tr>
<td>3</td>
<td>Jute and mesta</td>
<td>lakh bales of 180 kg</td>
<td>33.1</td>
<td>77.00</td>
<td>84.0</td>
<td>90.0</td>
</tr>
<tr>
<td>4</td>
<td>Oilseeds(5 major)</td>
<td>mt.</td>
<td>6.2</td>
<td>17.89</td>
<td>16.8</td>
<td>19.7</td>
</tr>
<tr>
<td>5</td>
<td>Sugarcane</td>
<td>mt.</td>
<td>57.1</td>
<td>203.00</td>
<td>222.60</td>
<td>233.4</td>
</tr>
</tbody>
</table>


Besides the productive capacity of agriculture has been greatly improved by the adoption of modern technology the package of high yielding varieties of crops chemical fertilisers, irrigation and plant protection measures. The coverage of the HYV seeds has been extended to about 67.00 million hectares.
consumption of chemical fertilizers from practically nil to only 127 lakh tonnes by 1990-91.

Progress in the extension of irrigation was also remarkable. Perhaps no other country in the world has witnessed such a rapid rate of extension in irrigation as India during the last three decades. Gross irrigated area increased from 22.6 million hectares in 1950-51 to 179.7 million hectares in 1989-90, i.e., nearly more than 3 times. A large number of gigantic multi-purpose river valley projects have been completed and many more are under execution with their numerous benefits for agriculture and industry.

There has been a phenomenal increase in the number of pumpsets energised - from a mere 21,000 in 1950-51 to about 70 lakhs at the end of March 1988.

7.6 DEVELOPMENT POLICIES AND PRIORITIES DURING THE FIVE YEAR PLANS ON ASSAM

The Planning Commission was set up in March, 1950, with Pt. Jawaharlal Nehru as its chairman. The first five year plan covered the period from April 1, 1951 to 31st March 1956. The objectives of the First Plan was "to correct the disequilibrium in the economy caused by the war and the partition and to develop certain basic resources so as to lay the foundation of more rapid economic growth in the future."* 8

The aim of Assam’s First Five Year Plan was "strengthening the economy at the base and to initiate a process of institutional change wherever required." *9

During the World War Second, a Reconstruction Committee Council was set up to formulate the economic policies for the guidance of the Central and provincial government. *10 As per the guidance, the Assam Government started the development programme for economic reconstruction of Assam. But the programme did not make any headway on account of limited resources. Indeed after independence, the village upliftment scheme was implemented by the government with the co-operation of the people.

The Assam’s First Plan outlay was very small. She got only Rs 17.5 crores as against the National Plan of Rs 2378 crore. With this meagre fund, it was not possible for Assam Government to execute the rural development policies.

The rural structure of Assam is composed of different tribes cultures, classes, and regions. In 1972 the state was divided into seven unit. The are: Assam, Nagaland, Meghalaya, Manipur, Tripura, Arunachal and Mizoram. Now a days, these are called as ‘seven sisters’. As such, the policies framed for one area did not suit the other areas. The NE council was set up to lookover the economic policies of the region as a whole. But lack of co-ordination have been seen between the NEC and planning commission and other development in implementing the developmental programmes.

The First Five Year Plan was prepared haphazardly without any previous experience. The result was the patchwork of isolated projects. It laid emphasis on agriculture, irrigation, power, transport. Besides, the first plan had given topmost priority on rural development by introducing the community development programme for rural mobilization. As such, the target laid down in the first plan of Assam was to cover one-fourth of the rural population. Tables 7.3 and 7.3(a) show the performance of planning in Assam in all sectors during the last four decades.

**TABLE 7.3**

<table>
<thead>
<tr>
<th>HEADS</th>
<th>1ST PLAN</th>
<th>2ND PLAN</th>
<th>3RD PLAN</th>
<th>ANNUAL PLAN</th>
<th>4TH PLAN</th>
<th>5TH PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Agric. &amp; Allied Subject</td>
<td>362.7-17.68</td>
<td>737.52-13.50</td>
<td>1236.0-9.3</td>
<td>1237.27-14.07</td>
<td>3806.0-18.47</td>
<td>10000.18-18.14</td>
</tr>
<tr>
<td>2.Coop. &amp; Community Development</td>
<td>122.58-5.99</td>
<td>763.97-14.02</td>
<td>975.0-7.4</td>
<td>333.46-3.82</td>
<td>752.0-3.65</td>
<td>1420.02-2.58</td>
</tr>
<tr>
<td>3.Irrigation &amp; Power</td>
<td>460.44-22.45</td>
<td>682.61-12.70</td>
<td>573.0-43.3</td>
<td>3139.65-35.93</td>
<td>6609.0-32.08</td>
<td>18000.0-32.66</td>
</tr>
<tr>
<td>4.Industry &amp; Mining</td>
<td>9.64-0.47</td>
<td>437.59-8.05</td>
<td>790.0-6.0</td>
<td>528.74-6.05</td>
<td>1864.0-9.05</td>
<td>7000.01-2.70</td>
</tr>
<tr>
<td>5.Transport &amp; Communication</td>
<td>349.18-17.02</td>
<td>655.33-12.20</td>
<td>785.0-5.9</td>
<td>405.45-4.64</td>
<td>2872.0-13.94</td>
<td>5560.01-0.09</td>
</tr>
<tr>
<td>6.Social Service</td>
<td>746.18-36.39</td>
<td>2017.36-37.02</td>
<td>3591.0-27.1</td>
<td>1182.64-13.53</td>
<td>4425.0-21.48</td>
<td>12130.0-2.0</td>
</tr>
<tr>
<td>7.Micellaneous</td>
<td>153.76-7.51</td>
<td>130.0-1.0</td>
<td>47.36-0.54</td>
<td>27.0-1.34</td>
<td>1010.01-0.83</td>
<td></td>
</tr>
</tbody>
</table>

**Source**
(i) Planning & Development (Assam) First, Second, Third, Annual, Fourth, Fifth & Sixth Plan, Government of Assam.
(ii) Statistical Hand Book Government of Assam.
**TABLE - 7.3 (a)**

**DISTRIBUTION OF PLAN OUTLAY AND PATTERN OF PRIORITIES IN ASSAM**

(IN CRORES)

<table>
<thead>
<tr>
<th>Heads</th>
<th>6th plan</th>
<th>7th plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1978-83- %</td>
<td>1980-85- %</td>
</tr>
<tr>
<td>1.Agriculture &amp; Allied Subject</td>
<td>143.39 -  11.17</td>
<td>302.25 - 14.4</td>
</tr>
<tr>
<td>2.Rural Development</td>
<td>60.28 -  4.69</td>
<td>138.60 - 6.6</td>
</tr>
<tr>
<td>3.Co-operation</td>
<td>25.80 -  2.01</td>
<td>3.50 -  0.17</td>
</tr>
<tr>
<td>4.Irrigation &amp; Food Control</td>
<td>172.58 - 13.45</td>
<td>334.00 - 15.9</td>
</tr>
<tr>
<td>5.Power</td>
<td>457.77 - 35.69</td>
<td>486.5 - 23.2</td>
</tr>
<tr>
<td>6.Industry &amp; Minerals</td>
<td>59.24 -  4.61</td>
<td>102.25 - 4.90</td>
</tr>
<tr>
<td>7.Transport &amp; Communication</td>
<td>105.77 - 8.74</td>
<td>168.70 - 8.0</td>
</tr>
<tr>
<td>8.Scientific Service Research</td>
<td>0.80 -  0.06</td>
<td>5.00 -  0.23</td>
</tr>
<tr>
<td>9.Social &amp; community Services</td>
<td>249.60 - 19.46</td>
<td>498.20 - 23.7</td>
</tr>
<tr>
<td>10.Miscellaneous</td>
<td>7.49 -  0.58</td>
<td>6.1.0 - 2.9</td>
</tr>
<tr>
<td></td>
<td>1282.61 - 100</td>
<td>2100 - 100</td>
</tr>
</tbody>
</table>

(i) Statistical Hand Book, Government of Assam.

(ii) Planning & Development (Assam)

Beginning with the first plan to seven, it has been noticed that the government of Assam had been given topmost priorities on Agriculture irrigation and social service. During 1st to fifth plan, the C.D. plan had got separate allocation. But, since sixth plan it was included in Rural Development. Prior, to this, the agricultural development come to be regarded as a means of rural development in all the plans, the social services have
played a vital role for economic development of the state. During the third plan, the C.D. and related infrastructure had received more importance. In the Sixth Plan & Seventh Plan, the rural development policies for irrigation, agricultural input supplied, animal husbandary and village industry have received highest priorities for eradication of poverty.

Rural Development policies have been framed for increasing employment, production and productivity. Although, the agriculture is the only source of income and employment of rural sector, nevertheless, the development of agriculture is closely related with the development of the infrastructures, tertiary sector, and rural industries. The development of infrastructure will increase the employment opportunities to job seekers, and improve the agricultural practices.

Besides, it will help in raising the standard of living in the rural areas. The tertiary sector, like electricity, banking, commerce, transport, insurance etc. will provide the incentives and employment to the village people. Likewise, the cottage and village industries will expand the job opportunities to the rural artisans. The modernisation of agricultural practices has created a wide scope for development of agro-based industries. As such, to settle the rural problems, the proper coordination is necessary among the above sectors with the rural development programmes.

7.7 STATE'S MACHINERY FOR THE AGRICULTURAL DEVELOPMENT

Rural development is a complex process. The contribution of agriculture to gross domestic product of developing countries ranges from around 25 percent to 60 percent. Generally, 60 percent
to 80 percent of their populations live in the countryside and Agriculture is the dominant occupation providing the largest scope for employment, supplies foodgrains as well as industrial raw materials, contributes significantly to exports, influences the demand for industrial goods, and affects the standard of living of vast masses of the people.

The community development programme was first rural development programme in the independence India. The Ministry of community development was the overall incharge of the programme during fifties. In the sixties, this ministry was merged with the Ministry of Food and Agriculture. In the mid of seventies, a separate Ministry was formed for rural development, covering all the development programmes like C.D. programme and panchayati Raj and special programmes to upliftment of rural poor. This ministry laid down the policies and procedures and determined the central assistance in this regards. But the responsibilities for executing the policies was rest with the State Governments. The state government has to perform the function of the most important subjects included in the state’s list like agriculture, animal husbandaries, minor irrigation, educations, public health, local government etc. For the subject included in the concurrent list are the responsibility of the both the governments.

In the district level, the district commissioner, at block level, the Block Development Officer and at village level the Gaon Panchayats are the overall incharge for the implementation of the programme. Banks are loan institutions. They must lend for viable projects and programmes and further improve their capacity for appraisal for loan requests and monitoring of credit utilisation.
The Panchayati Raj was introduced in 1959 as per recommendation of Mehta committee. It was describe as the 'Master blue print' and a sort of 'hible of panchayati raj'. This system was introduced in three tier system and had to function as:

a) a unit of rural development means of agricultural development.
b) an agency of community development and state govt.

The three tire system in Assam are Mahkuma Parishad, Anchalik and Gram Panchayat. The Assam Panchayat Amendment Act, 1972 had abolished the middle tier namely the Anchalik panchayat and attached the development of works of Blocks on Mahkuma Parishad. Since then, the rural development activities have been dead locked and Gaon Panchayats have practically nothing to do and virtually, all the powers of Panchayati Raj are vested in the bureaucratic circles.


It deserves mentioning that Ashok Mehta Committee was appointed in 1977 to review the workings of Panchayati Raj. He submitted the report in 1978, with the recommendation for introduction of two-tier system of panchayats in India.

The impact of this amendment was that the deadlock of development works at village level for wanting of proper agency. However, the government of Assam is going to make a new amendment with reviving the three-tier system of panchayati Raj. The new Act will be called 'The Assam Panchayat Raj Act, 1986'. The new Act has received the assent of the president on 23rd November, 1986.

The amendments to the Assam Panchayati Raj Act are proposed in order to bring about democratic decentralisation of powers for development of rural areas. *12

The organisation structure is a modest process for rural development. Despite of these large organisation, the programme could not be successful due to bureaucratic attitudes and rampant corruption of the middleman. Otherwise, there is no such programme in the world which could compete with India's programme. Therefore, the rural development programme's policies should be framed in such a way that it will provide more justice than the mere implementation of the programme.

7.8 BANKERS AS DEVELOPMENT AGENCIES

There are three different schools of thought, on the role of banks as development agencies, *13. At one extreme, there is a view that banks should take on a fulfledged development role. At the other extreme, there is the view that banks being primary credit agencies cannot be expected to taken on such a role and their function is to make credit available for bankable projects. Beyond this, it is for the other agencies concerned in the extension, marketing, input supplies etc, to play their relative roles. There is another view in between these two extremes while granting the developmental responsibilities to commercial banks, particularly in the context of the nationalisation of large sized ones among them, it would at the same time take cognizance of the

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*13. By Prof Nurkse, Prof Joseph Schumpeter and Gerschen Kroni analysis of Banking system of economic development.
complementary role to be played by other agencies. This seems to be the golden mean. Credit can only catalyse the development process and it cannot by itself bring about development. In this sense, banks are partners in development with other agencies. At the same time, banks should not be mere passive observers, but take the initiative in getting such activities started wherever they are not already in operation.

Thus, a bank financing a dairy development scheme can use its good offices to organise fodder supplies, marketing societies, chilling facilities, etc, by extending credit for such purposes also. In this manner, a bank cannot only contribute to development, but also pave the way for the successful recovery of its loans. If this is accepted, one cannot agree with the view that the initiative for the formulation of development schemes should come from the district administration. Even, the initial impulses for generating a development motive can be produced by credit agencies through appropriate marketing of their credit services. Many banks have developed expertise in this area.

Bank credit i.e., money can by itself grow nothing. To expand production, borrowed funds must be spent by farmers on physical inputs — fertilisers, seeds, pesticides, labour etc. The output must then be transported to the market and sold to consumers. Credit, put in the farmers hand can be used to purchase productive inputs but, whether this will be done or not depends upon technology, markets, infrastructure, information, attitudes and economic compulsions. I should briefly deal with the factors, which are essential complements of credit in promoting agricultural development.