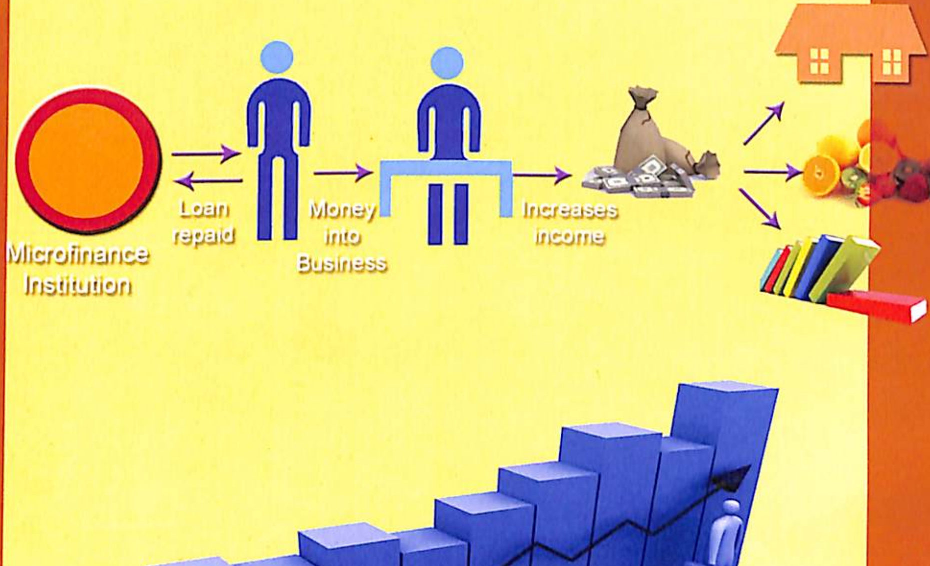
Rural Banking Micro Finance System in Assam

-An empirical study



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With best
Complements to
Prof. (Mrs.) Ruma Phukan
Baidew.
24-09.12

Rural Banking Micro-Finance System in Assam

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Rural Banking Micro-Finance System in Assam : a book on Rural Banking Micro-Finance System in Assam by Dr. Kamalendu Saikia, published by Gayatree Boruah on behalf of Kaustubh Prakashan, Dibrugarh, & printed at Kaustubh Printers, Dibrugarh. 1st edition, 2012.

ISBN 13: 978-81-922880-5-5

Price Rs. 100/-

ACKNOWLEDGMENT

I am ever grateful to my teacher late Dr. Atul Goswami, formerly Professor of Economics, Dibrugarh University and subsequently Director, Omeo Kumar Das Institute of Social Change and Development, Guwahati. I am deeply indebted to him for his once guidance and supervision in preparing my research work that led to the award of Ph.D in 1998. His invaluable suggestions at that time have always been the source of inspiration and moving spirit for me.

I am also always grateful to Professor Emeritus Dr. Homeswar Goswami, Professor of Economics, Dibrugarh University for his continuous encouragement, suggestion and advice in any situation or task relating to research or otherwise.

I am highly indebted to Lt. Dr.Jayanta Kumar Gogoi, formerly Professor of Economics, Dibrugarh University for his once great mental support in preparing my research works leading to Ph.D and also indebted to Prof. Kumud Chandra Bora of the same Department, because of his valuable advice in times of needs. I take this opportunity to acknowledge my gratitude to them.

Co-operation received from different authors, writers, scholars etc. of several institutes, colleges, and Universities in and outside of Assam are thankfully acknowledged.

My thanks also go to all state and central Government officials and agencies who supplied me with relevant published and unpublished materials.

I must acknowledge the co-operation received from my wife Rinjumoni and only child Tapashya during the entire period my study.

I am thankful to library staffs of Dibrugarh University for all the help rendered to me.

Above all, co-operation received from Dr. Paresh Kr. Boruah, Principal, Dibru College,Dibrugarh at any time is highly appreciable to me and so, I must thank him at this moment.

Date : 10/03/2012
Dibrugarh

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PREFACE

Rural Banking Micro-Finance System in Assam is a n empirical study. It is an attempt to evaluate the performance of co-operative Banks in the delivery of Micro credit to the marginal farmers of sample villages though PACS (Primary Agricultural Credit Society) under the two bank branches and the problems faced by them in the delivery of micro credit to and recovery from the beneficiaries. This study also attempts to understand the prospects of the sample banks branches if any in dealing with their activities more effectively and efficiently.

Micro credit is becoming more and more important as well as essential means of rural development. Millions of poor peasants in the developing countries like ours are wistfully looking for some financial assistance to uplift their shattered economy, and co-operative banks are ray of light in their dingy gloom of despair.

In preparing the study, I have been immensely benefitted by my visits particularly to the sample areas and various places of the state in general. The present work is the product of my strenuous research work. This book is thought to be very helpful for the student of economics, commerce and especially more to research scholar in the field of rural banking.

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CHAPTER - I

INTRODUCTION

'Microfinance' or 'micro credit finance' means 'very small' or 'little' amount of finance provided for poor rural people in particular, to tide over their poverty and make them economically viable.

"Micro finance is the supply of loans, Savings and other basic financial services to the poor." (CGAP)

A summit convened in Washington in Feb. 1997, defined the microfinance "as a programme to the poor for providing credit aiming at their self-employment and business etc." James Wolfenson, the President of World Bank, himself says in its favour. As the financial service of micro finance usually involve small amount of money-small loans, small savings, etc. The term microfinance' helps to differentiate these services from those which formal banks provide.

RBI defines "micro credit" as provision of thrift, credit and other financial products of very small amount to the poor in rural, semi-urban enabling them to raise their income level and improve living standard and such credit institutions are those which provide these facilities.

Micro Finance Services in India :

A range of institutions in public sector as well as private sector offers the microfinance services in India. They can be broadly categorized into two categories namely, formal institutions and informal institutions. The former category comprises of Apex Development Financial Institutions, Commercial Banks, Regional Rural Banks, and Cooperative Banks that provide microfinance services in addition to their general banking activities and are referred to as microfinance service providers. On the other hand, the informal institutions that undertake micro finance services as their main activity are generally referred to as Micro Finance Institutions (mFIs). While both private and public ownership are found in the case of formal financial institutions offering microfinance services, the mFIs are mainly in the private sector.

Micro Finance Service Providers :

The microfinance service providers include apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and, Rashtriya Mahila Kosh (RMK). At the retail level, Commercial Banks, Regional Rural Banks, and, Cooperative banks provide microfinance services. Today, there are about 1,61,480 retail credit outlets of the formal banking sector in the rural areas comprising 13,000 branches of District level cooperative banks, over 15,480 branches of the Regional Rural Banks (RRBs) and over 38,400 rural and semi-urban branches of commercial banks besides almost 94,600 cooperatives credit societies at the village level. On an average, there is at least one retail credit outlet for about 4600 rural people. This physical reaching out to the far-flung areas of the country to provide savings, credit and other banking services to the rural society is an unparalleled achievement of the Indian banking system. An attempt is made here to deal with various aspects relating to emergence of

private microfinance industry in the context of prevailing legal and regulatory environment for private sector rural and microfinance operators.

The Emergence of Private Microfinance Industry :

The microfinance initiative in private sector can be traced to the initiative undertaken by Ms.Ela Bhat for providing banking services to the poor women employed in the unorganised sector in Ahmedabad City of Gujarat State. Shri Mahila SEWA (Self Employed Women's Association) Sahakari Bank was set up in 1974 by registering it as a Urban Cooperative Bank. Since then, the bank is providing banking services to the poor self-employed women working as hawkers, vendors, domestic servant etc. As on March 2010, the bank had a membership of 67,000. The deposit and loan portfolio stood at Rs 1050.49 million ($ 22.83 million) and Rs 466.69 million ($ 10.14 million) respectively. Though the bank is making profit, yet the SEWA bank model has not been replicated elsewhere in the country.In the midst of the apparent inadequacies of the formal financial system to cater to the financial needs of the rural poor, NABARD sponsored an action research project in 1987 through an NGO called MYRADA. For this purpose a grant of Rs. 1 million ($22,222) was provided to MYRADA for an R&D programme related to credit groups. Encouraged by the results of field level experiments in group based approach for lending to the poor, NABARD launched a Pilot Project in 1991-92 in partnership with Non-governmental Organisations (NGOs) for promoting and grooming self help groups (SHGs) of homogeneous members and making savings from existing banks and within the existing legal framework. Steady progress of the pilot project led to the mainstreaming of the SHG-Bank Linkage Programme in 1996 as a normal banking activity of the banks with widespread acceptance. The RBI set the right policy environment by allowing savings bank accounts of informal groups to be opened by the formal banking system. Launched at a time when regulated interest rates were in vogue, the banks were expected to lend to SHGs at the prescribed rates, but RBI advised the banks not to interfere in the affairs of SHG management, particularly on the terms and conditions on which the SHGs disbursed loans to their members. The uniqueness of the microfinance through SHG is that it is a partnership based approach and encouraged NGOs to undertake not only social engineering but also financial intermediation especially in areas where banking network was not satisfactory. The rapid progress achieved in SHG formation, which has now turned into a women empowerment movement across the country, laid the foundation for emergence of mFIs in India. Firm data regarding number of MFIs operating in the country is not available. An attempt to create an information base on micro finance institutions operating in 13 microfinance intense States was made in 2008 under "NABARD GIZ Rural Financial Institutions Programme" (RFIP). Micro Finance Institutions operating in the 13 microfinance intense States were advised to send their responses to a standardized questionnaire. 786 MFIs responded to the questionnaire as detailed in Table 1. 1, about 120 MFIs working in the North-East was not covered under the survey. The survey revealed that there was high geographic concentration (75%) of MFIs in two States viz., Andhra Pradesh and Tamil Nadu. Most of the MFIs (95%) were found to operate in one State only. Further, 68% of the MFIs operated in only one district.

Table 1.1 - State-wise position of mFIs (2008-09)

The MFIs in India can be broadly sub-divided into three categories of organizational forms. Category wise number of MFIs, which responded to the questionnaire, is appended in the Table 2.Table .

S No	State	No of MFIs	Share %
1	Andhra Pradesh	484	62
2	Bihar	44	6
3	Gujarath	8	1
4	Jharkhand	1	0
5	Karnataka	20	3
6	Kerala	18	2
7	Madhya Pradesh	14	2
8	Maharashtra	15	2
9	Orissa	28	4
10	Rajasthan	18	2
11	Tamil Nadu	101	13
12	Uttar Pradesh	5	1
13	West Bengal	30	4
	Total	786	100

1. 2- Legal form-wise number of MFIs

Type of MFI	No	Share	Legal acts under which registered
Mutual Benefit MFIs			
Cooperatives	3	0	State Cooperative Societies Act
Mutually Aided Cooperative Societies	445	57	Mutually Aided Cooperative Societies Act enacted by the State Governments.
Sub total	448	57	
Companies			
Non Banking Financial Companies	24	3	Indian Companies Act, 1956 The Reserve Bank of India Act, 1934
Section 25 Companies	9	1	Section 25 of the Indian Companies Act, 1956
Sub Total	33	4	
NGO-MFIs			
Societies	199	25	Societies Registration Act, 1860 or similar Provincial Acts.
Trusts	106	13	Indian Trust Act, 1882
Sub total	305	39	
Totals	786	100	

The total outstanding loan portfolio was Rs.41, 417 millions ($ 900 millions) as on March, 2008. The MFI sector is extremely polarized in terms of numbers and loan volume. Company MFIs which formed 4% of the total MFIs accounted for 67% of the total loans outstanding. Mutual Benefit MFIs which formed 57% of the total MFIs accounted for 7% of the total loan outstanding. Similarly, NGO-MFIs which formed 39% of the MFIs accounted for 25% of the total loan outstanding.

NGO mFIs:

There are a large number of NGOs that have undertaken the task of financial intermediation. Majority of these NGOs are registered as Trust or Society. Many NGOs have also helped SHGs to organise themselves into federations and these federations are registered as Trusts or Societies. Many of these federations are performing non-financial and financial functions like social and capacity building activities, facilitate training of SHGs, undertake internal audit, promote new groups, and some of these federations are engaged in financial intermediation. The NGO mFIs vary significantly in their size, philosophy and approach. Therefore these NGOs are structurally not the right type of institutions for undertaking financial intermediation activities, as the byelaws of these institutions are generally restrictive in allowing any commercial operations. These organisations by their charter are non-profit organisations and as a result face several problems in borrowing funds from higher financial institutions. The NGO mFIs, which are large in number, are still outside the purview of any financial regulation. These are the institutions for which policy and regulatory framework would need to be established.

Non-Profit Companies as mFIs:

Many NGOs felt that combining financial intermediation with their core competency activity of social intermediation is not the right path. It was felt that a financial institution including a company set up for this purpose better does banking function. Further, if mFIs are to demonstrate that banking with the poor is indeed profitable and sustainable, it has to function as a distinct institution so that cross subsidisation can be avoided. On account of these factors, some NGO mFIs have set up a separate Non-Profit Companies for their microfinance operations. The mFI is prohibited from paying any dividend to its members. In terms of Reserve Bank of India's Notification dated 13 January 2000, relevant provisions of RBI Act, 1934 as applicable to NBFCs will not apply for NBFCs licensed under Section 25 of Companies Act, 1956, provided it lends credit not exceeding Rs. 50,000 ($1087) for a business enterprise and Rs. 1, 25,000 ($2717) for meeting the cost of a dwelling unit to any poor person, and not accepting public deposits.

Mutual Benefit MFIs:

The State Cooperative Acts did not provide for an enabling framework for emergence of business enterprises owned, managed and controlled by the members for their own development. Several State Governments therefore enacted the Mutually Aided Co-operative Societies (MACS) Act for enabling promotion of self-reliant and vibrant co-operative Societies based on thrift and self-help. MACS enjoy the advantages of operational freedom and virtually no interference from government because of the provision in the Act that societies under the Act cannot accept share capital or loan from the State Government. Many of the SHG federations, promoted by NGOs and development agencies of the State Government, have been registered as MACS. Reserve Bank of India, even though they may be providing financial service to its members, does not regulate MACS.

For Profit mFIs:

Non Banking Financial Companies (NBFC) are companies registered under Companies Act, 1956 and regulated by Reserve Bank of India. Earlier, NBFCs were not regulated by RBI, but in 1997 it was made obligatory for NBFCs to apply to RBI for a certificate of registration and for registration with RBI, NBFCs were to have minimum Net Owned funds of Rs 2.5 million and this amount has been gradually increased to Rs 20.0 million w.e.f April 21, 1999.RBI introduced a new regulatory framework for those NBFCs who want to accept public deposits. All the NBFCs accepting public deposits are subjected to capital adequacy requirements and prudential norms. Many mFIs view NBFCs more preferred legal form and are aspiring to be NBFCs but they are finding it difficult to meet the requirements stipulated by RBI.

Capital Requirements :

NGO-mFIs, non-profit companies' mFIs, and mutual benefit mFIs are regulated by the specific Act under which they are registered and not by the Reserve Bank of India. These are, therefore, not subjected to minimum capital requirements, prudential norms, etc. NGO mFIs to become NBFCs are required to have a minimum entry capital requirement of Rs. 20 million ($ 0.44 million)1. As regards prudential norms, NBFCs are required to achieve capital adequacy of 15% (w. e. f. March 31, 2012) and maintain liquid assets of 15% on public deposits.

Foreign Investment :

Foreign investment by way of equity is permitted in NBFC mFIs subject to a minimum investment of $500,000. In view of the minimum level of investment, only a few NBFCs are reported to have been able to raise the foreign investment. However, a large number of NGOs operating in the development/empowerment of poor are receiving foreign fund by way of grants.

Not for profit mFIs are barred :

Not for profit mFIs are barred by the Reserve Bank of India, from mobilising any type of savings. Mutual benefit mFIs can accept savings from their members. Only those NBFCs holding a valid Certificate of Registration with authorisation to accept Public Deposits can accept/hold public deposits. NBFCs authorised to accept/hold public deposits besides having minimum stipulated Net Owned Fund (NOF) should also comply with the directions such as investing part of the funds in liquid assets, maintain reserves, rating etc. issued by the Bank.

Borrowings :

Initially, bulk of the funds required by mFIs for onlending to their clients was met by apex institutions like National Bank for Agriculture and Rural Development, Small Industries Development Bank of India, and Rashtiya Mahila Kosh. In order to widen the range of lending institutions to mFIs, the Reserve Bank of India has roped in Commercial Banks and Regional Rural Banks to extend credit facilities to mFIs since February 2000. Both public and private banks in the commercial sector have extended sizeable loans to mFIs at varing interest rates. Banks have been given operational freedom to prescribe their own lending norms keeping in view the ground realities. The intention is to augment flow of micro credit through the conduit of mFIs. Over 75% of the finance obtained by NBFCs operating as MFIs is provided by banks and financial institutions including SIDBI. As at 31st March 2010, the aggregate amount outstanding in respect of loans granted by banks and SIDBI to NBFCs operating in the Microfinance sector amounted to Rs. 13,800 crores. In addition, banks were holding securitized paper issued by NBFCs for an amount of Rs. 4200 crores. Banks and Financial

Institutions including SIDBI also had made investments in the equity of such NBFCs. Though this exposure may not be significant in the context of the total assets of the banking system, it is increasing rapidly.

In regard to external commercial borrowings (ECB) by mFIs, not-for-profit mFIs are not permitted to raise ECB. The current policy effective from 31 January 2004, allows only corporates registered under the Companies Act to access ECB for permitted end use in order to enable them to become globally competitive players.

Interest Rates :

The interest rates are deregulated not only for private mFIs but also for formal baking sector. In the context of softening of interest rates in the formal banking sector, the comparatively higher interest rates charged by the mFIs have become a contentious issue. The high interest rate collected by the mFIs from their poor clients is perceived as exploitative. It is argued that raising interest rates too high could undermine the social and economic impact on poor clients. Due to door step delivery of services to clients, transaction costs of MFIs are higher than that of the formal banking channels.

Collateral requirements :

All the legal forms of mFIs have the freedom to waive physical collateral requirements from their clients. The credit policy guidelines of the RBI allow even the formal banks not to insist on any type of Security/margin requirement for loans up to Rs 1,00,000 ($2174) for Agriculture loans.

Regulation & Supervision :

India has a large number of mFIs varying significantly in size, outreach and credit delivery methodologies. Presently, there is no regulatory mechanism in place for mFIs except for those which are registered as NBFCs with RBI. As a result, mFIs are not required to follow standard rule and it has allowed many mFIs to be innovative in its approach, particularly, in designing new products and processes. But the flip side is that the management and governance of mFIs generally remains weak, as there is no compulsion to adopt widely accepted systems, procedures and standards. Because the sector is unregulated, not much is known about their internal health. Following Committees have examined the road map for regulation and supervision of mFIs.

Task Force (appointed by NABARD) Report on Regulatory and Supervision Framework for mFIs, 1999. (Kindly see publications Section for a complete report Working Group (constituted by Government of India) on Legal & Regulation of mFIs, 2002Informal Groups (appointed by RBI) on Microfinance which studied issues relating to (i) Structure & Sustainability, ii) Funding (iii) Regulations and (iv) Capacity Building, 2003Advisory Committee (appointed by RBI) on flow of credit to agriculture and related activities from the Banking System, 2004 Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector, 2010. (Chaired by Shri Y.H. Malegam)All NBFCs are currently regulated by Reserve Bank under Chapters III-B, III-C and V of the Reserve Bank of India Act. There is, however, no separate category created for NBFCs operating in the Microfinance sector. Shri. Y. H. Malegam Committee among other things examined and delineated the objectives and scope of regulation of NBFCs undertaking microfinance by the Reserve Bank and the regulatory framework needed to achieve those objectives. The committee recommended that development and regulation of Microfinance will be facilitated if a separate category of NBFCs operating in the Microfinance sector be created for the purpose.

Training/Capacity building of MFIs :

NABARD provides technical support in the form of capacity building of staff of mFIs and also bankers in appraisal of mFIs for providing wholesale resource support. Since 2002, training programmes on "Appraisal of mFIs" are being conducted through Bankers Institute of Rural Development (BIRD), Lucknow. These training programmes are intended to equip the stakeholders to appreciate the nuances in financing NGO-mFIs and also enhance the flow of loanable funds from mainstream financial Institutions like banks. Specially designed capacity building programmes are also being organised for Chief Executives & other staff of NGOs on promotion as well as managing of self help groups on a regular basis through our regional offices, in association with reputed resource NGOs & training establishments.

Outside India, in 1976, Prof. Yunus visited to the poorest households in Jobra, a village near Chittagong University, Bangladesh where he discovered that very small loans could improve the lots of the poor persons. At first, those poor women, who had made bamboo furniture, had to take out usurious loans for buying bamboos. They paid the profit to the money-lenders. Prof. Yunus, being inspired by it, took a loan from the Government Janata Bank to lend to the poor in that village. His institution went on operating till last September 1983 and on 1st October, 1983, the pilot project began to operate as a full-fledged bank and was renamed. The Grameen Bank (Village Bank) to provide loans to poor Bangladeshis.

Yunus was an admirer of Dr. Hameed (Dr. Akhtar Hameed Khan) founder of Pakistan Academy for Rural Development which is now Bangladesh Academy for Rural Development. He is credited for pioneering idea of 'micro credit' or 'micro finance' to poor rural people. Yunus very successfully tried in Bangladesh to put 'micro credit' or 'micro finance' approach into practice. As such, this financial innovation originated in Bangladesh where it had very successfully enabled the very poor people to engage in self-employment projects to eke out their livelihood efficiently and in many cases, begins to build their wealth. Yunus's Grameen Bank for 'micro credit finance' for the poor villagers brought to him the global renown and hundreds of countries throughout the developing world, even developed countries like the United States, have been inspired by it.

In India, historical context explains how 'Micro Finance' came into being as a part of economic development. Between the 1950s and 1970s, governments and NGOs had focused on providing agricultural credit as subsidy to small and marginal farmers hoping that, with it their productivity and income would raise. With the passing of the Co-operative Credit Act in 1904, it paved the opening way for providing micro credit to the poor peasants. The Act was meant for making the poor peasants and workers economically self-dependent by investment of limited amount of capital in agriculture and small industries etc. For this, Act was rectified further a little to pave the way for the establishment of central credit institution in India. Then, with the emergence of provincial self-government, provinces were empowered to pass Acts to cater the local needs of the respective states. But the inspiring success in Bangladesh became a new vigour to infuse to the Co-operatives and other commercial banks in bringing a tread in rural finance for eradication of poverty and employment generation.

Micro Finance Programme in North East India :

One of the important microfinance programmes in India is the SHG-BLP (Bank Linked Programme) which today has emerged as the largest microfinance programme in the world. As of March 2006, under the programme a cumulative amount

of Rupees 113.98 billion has been disbursed by banks to as many as 22,38,565 SHGs in India. Since the start of the programme, the southern states of India, particularly Andhra Pradesh, have had a disproportionately larger share of the total number of SHGs that have received credit from banks. However, the biasness of the programme towards the southern states has lessened in recent years.

In the initial years, the SHG-BLP did not register much headway in the states of the northeastern region (NER) The programme had a very slow start and till the end of March 1999, the cumulative number of SHGs-credit linked in the entire region was only 93 in number, which was less than half a per cent of the cumulative number of SHG credit linked in the country under the programme. During March 1999 to March 2001, the cumulative number of SHGs in NER increased from 93 to 477, i.e. a little more than four times while at the India level it was increased by seven times.

Within the NER, Assam and Meghalaya in 2001 accounted for majority share of the SHGs credit links at about 58 and 34 per cent respectively, and also that of the cumulative credit disbursed in the region was about 45 and 46 per cent respectively as against the very low share of states like Manipur (7 percent), Sikkim (1 percent) and Tripura (1 percent) in the total cumulative number of SHG credit linked. The remaining states of Arunachal Pradesh, Nagaland and Mizoram did not have any SHGs credit linked under this programme by 2001. In order to reduce the regional imbalance in formation of SHGs under the SHG-BLP, in 2001-02, special focuses was given to NER and other backward areas in Orissa by encouraging collaboration with large number of small non-government organization partners and microfinance agencies for enhancing the coverage of the programme.

The effort resulted in the improvement in the share of cumulative number of SHGs credit links in NER which increased from 0.2 percent in 2001 to 2.8 percent 2006 along with an improvement in the cumulative loan disbursed from 0.2 to 1.5 percent during the same period. The period also recorded the highest annual growth rate in the cumulative number of SHGs credit linked and cumulative loan disbursed in the region by 165 and 184 per cent respectively, which are much higher than the all India average.

While there has also been a significant increase in the number of SHGs credit linked across all the NER states during 2001-06, the period is also marked by bias and unequal growth and coverage of the SHG-BLP in favour of Assam. Among the worst performing states in NER in the period is Meghalaya. However, states like Mizoram and Nagaland, where the progress of the programme was very slow till 2005, has recorded significant increase in SHGs credit linked during 2005-06.

Along with an increase in the bank loan disbursed to SHG, the amount of credit per SHG in NER and all other regions increased during the period 2001-06 suggesting that there has been a widening and deepening of the SHG-BLP in the country. In 2006, the highest credit per SHG is reported from the southern region at Rs 70,549 compared to the all India average of Rs 50,914. The eastern region reported the lowest credit per SHG at Rs 23,721, while for NER it was Rs 26,505 which is almost half of the all India average. However, for the states of Nagaland and Mizoram the credit per SHG (at Rs 81,517 and 65,811 respectively) is much higher than the all India level.

New SHGs Credit Linked During 2001-06 :

In the period 2001 to 2006, there has been an expansion in the coverage of the programme and new states have joined the programme accompanied with an increase in new SHGs credit linked and also with the amount of credit disbursed to SHGs during this period. The NER recorded the highest annual

growth rate of 179 per cent in regard to new SHGs credit linked in the period 2002-06. Within NER, Assam recorded a steady and consistent increase in the number of new SHGs provided with bank loans. Tripura is another state which witnessed a steady increase in number of new SHGs credit linked during this period. Assam topped the performance in terms of the highest number of new SHGs that were credit linked followed by Tripura and Manipur. Accordingly, the distribution of the new SHGs that have been credit linked to banks during 2002-06 in NER indicates that about 91 per cent of these new SHGs that have been credit linked under the programme during this period are from Assam, followed by Tripura (3.2 per cent) and Manipur (2.4 per cent).In Nagaland and Meghalaya, the year 2005-06 saw a significant increase in the number of new SHGs credit linked by 78 to 85 per cent under the programme over the pervious period. Similarly in Mizoram, 97 per cent increased in the new SHGs credit linked was in the year 2005-06. Therefore, in these states, and to some extent in other states in NER, there is a marked improvement in the progress of the programme since 2004-05.

Participation of Bank :

The role of the banking partners is very crucial in the SHG-BLP as they directly or indirectly provide credit to the SHGs. In certain cases, the banks themselves are involved in forming and nurturing the SHGs. At the all India level, as of March 2006, about 53 per cent of the SHGs under the programme were financed by the commercial banks, with the share of the regional rural banks (RRBs) at 33 per cent and co-operative banks at 14 per cent respectively.

On the contrary, in the NER, RRBs are most active and finances the maximum number of SHGs (56 per cent of the SHGs up to March, 2006), followed by the commercial banks (38 per cent). The involvement of the co-operatives in the

SHG-BLP has been very minimal in the region, with only four per cent of the SHGs financed by this source. The participation of the banks within NER however varied from states to states. In Meghalaya, Arunachal Pradesh and Nagaland, commercial banks are the major financier of the SHGs, while in the other states the majority of the SHGs are credit linked to RRBs. Sikkim is the only state in the NER where the majority of the SHGs (67 per cent) are credit linked to the co-operatives banks.

The annual growth of SHGs during 2002-06 shows that in Assam and Tripura all the three categories of banks recorded a significant growth in the number of SHGs financed by them.

A review of the average loan per group as per the source of finance at the all India level shows that the amount of loan per group is the highest from commercial banks, followed by the RRBs and the co-operatives. However, in the NER the amount of loan per group is the highest from commercial banks followed by co-operative banks, and then by RRBs. Across the NER states, there is yet a vast difference in the average loan size per group financed by the commercial banks, RRBs and co-operatives banks.

Distribution of SHG-BLP in N.E.R. :

In the SHG-BLP, SHGs are formed under three different models - Model I, Model II, and Model III. In Model I, the SHGs are formed and financed by banks. In Model II, the SHGs are formed by agencies other than banks such as non-government organisations (NGOs) and community based organizations (CBOs), but is financed by banks. Whereas, in Model III, NGOs act as intermediaries and are financed by the banks to lend on to the SHGs.

In India, 74 per cent of SHGs have been formed under Model II, followed by 20 per cent under Model I and a small percentage of six per cent under Model III. The situation in NER is contrary to the all India position, where majority of the SHG (76 per cent) have been formed and credit linked by banks under Model I and only 16 per cent of SHGs by NGOs under Model II, as in 2006. Within the NER states, banks have emerged as an important self-help promoting agencies. In Assam, in 2006, 79 per cent of the SHGs were promoted and financed by the banks themselves under Model I; while in Tripura and Sikkim 51 and 75 per cent respectively have been promoted by banks under Model I. In the remaining states, such as Meghalaya (by 77 per cent), Manipur (68 per cent), Arunachal Pradesh (100 per cent) and Nagaland (93 per cent) SHGs credit linked have been formed by NGOs under Model II. Apart from Meghalaya where about 14 per cent of the SHGs have borrowed from NGOs under Model III, there are very few SHGs in other NER states that have been formed and financed by NGOs.

A review of the progress of the SHG-BLP in NER in the period 2001-06 shows that despite a slow start in the programme in the region, with some states like Mizoram joining as late as 2003-04, the programme has recorded rapid growth particularly in Assam, Tripura and Manipur in terms of SHGs financed and loan disbursed. However, in Meghalaya, the progress of the programme has been very slow in spite of the spurt in the implementation of the programme in the late 1990s. There is a need to review the performance of Self Help Groups Bank Linkage programme in the NER, identify factors that impede its progress and take corrective measures to improve its performance through out the entire region.

The Origin of Micro Finance in Assam :

As to state-origin of the micro-finance, we can go back to the establishment of a provincial bank in Assam in 1921-22. The bank existed till 15th August, 1947. But due to its heavy overdue and nominal Liquid Asset, the bank reduced to the worst condition. The adverse effect of the Second World

War was very heavy in our country and Assam was also not exception. The result was the establishment of a state-level Co-operative financial institution in the state. Then a central trading Co-operative society was opened in every sub-division to sell daily necessary commodities to the people at a cheaper price. This led many well-wishers and wise people to thing of the establishment of an Apex Co-operative Bank in order to provide small credit to the farmers and peasants. So, the emergence of The Assam Co-operative Apex Bank in 1948 is the beginning of micro credit in Assam to rural people. The later development in this matter does not demand further explanation. Micro finance initiatives have shown that 'banking with the poor' is a viable proposition. The Assam Co-operative Apex Bank Ltd., with six zonal offices and 68 Branch offices, is extending services through length and breadth of the state. It is also generating in come and employment among rural people in an increasing manner.

Micro Finance and Proverty Eradication :

They are closely related to each other. Poor people irrespective of rural and urban are financially weak. But through micro-finance, they can do a lot to improve their condition and eradicate poverty. In practice, Bangladesh has shown it to the world and in many developing countries of the world, poor people are getting self-employment and economic progress in their families. In Assam also many SHGs and individual borrowers are improving their domestic economy through agriculture and allied activities by utilizing micro credit.

Micro Finance and Employment Avenue :

Micro finance has a very extensive employment avenue of itself. There are lots of people who are suffering from various types of unemployment both in urban and rural areas. India being an agrarian country is all along the victim of

unemployment problem. Micro finance can give them self-employment in various ways such as, cattle farming, piggery, poultry farming (Chicken, duck, broiler etc.) wood-works, bamboo works, candle making, bakery, juice-extracting business, rice mill, oil extraction (mustard, coconut etc.) fodder-making (from grass, hay, stubble etc.) and so and so. All these business can absorb the unemployed people of the villages. At the same time, sufficient amount of money can be earned in every family. The products have also local markets and demand. So, micro finance can undoubtedly create jobs and solve unemployment problem among the poor peasants and workers. Poor urban-unemployed can also find employment and income through such business.

Woman empowerment can also be achieved though micro credit. It is practically proved that women can do a lot like man if they are given chance and assistance. They can organize variety of jobs individually and through SHGs. Already they have done appreciably by way of forming SHGs. 90% of SHGs in India are run by women and they have proved themselves to be particular in repayment of loans taken. In Assam also there are variety of women SHGs and purely individual entrepreneurs. Poor households in developing countries lack access to adequate financial services to become self-employment ones or undertake productive and employment generation activities. Due to several formalities, the formal financial institutions are very far from those people. Micro finance provided to them by the Co-operative and rural banks can fulfill their needs because these banks are for the poor. Every poor household generally consists of several members both male and female. Male members are able to go out of doors easily and can have employment for earning. But the female members who generally remain in doors can be nicely benefitted through micro credit and actually they are doing such activities.

Need for Micro-Finance : The Gap Between Demand and Supply :

Since the 1950s, various governments in India have experimented with a large number of grant and subsidy based poverty alleviation programmes. Studies show that these mandatory and dedicated subsidised financial programmes, implemented through banking institutions, have not been fully successful in meeting their social and economic objectives:

The common features of these programmes were:

i. target orientation

ii. based on grant/subsidy, and

iii. credit linkage through RRBs/commercial banks.

These programmes

a. were often not sustainable

b. perpetuated the dependent status of the beneficiaries

c. depended ultimately on government employees for delivery

d. led to misuse of both credit and subsidy and

e. were treated at best as poverty alleviation interventions.

Banks too never really looked on them as a profitable and commercial activity.

According to a 1995 World Bank estimate, in most developing countries the formal financial system reaches only the top 25% of the economically active population - the bottom 75% have no access to financial services apart from moneylenders -

In India too the formal financial institutions have not been able to reach the poor households, and particularly women, in the unorganised sector. Structural rigidities and overheads lead to high cost of making small loans. Organisational philosophy has not been oriented towards recognising the poor as credit worthy. The problem has been compounded by low level of influence of the poor, either about their credit worthiness or their demand for savings services. Micro-finance programmes

have often been implemented by large banks at government behest. Low levels of recovery have been further eroded due to loan waiver programmes leading to institutional disenchantment with lending to small borrowers.

All this gave rise to the concept of micro-credit for the poorest segment along with a new set of credit delivery techniques. With the support of NGOs an informal sector comprising small Self Help Groups (SHGs) started mobilizing savings of their members and lending these resources among the members on a micro scale. The potential of these SHGs to develop as local financial intermediaries to reach the poor has gained recognition due to their community based participatory approach and sustainability - recovery rates have been significantly higher than those achieved by commercial banks inspite of loans going to poor, unorganised individuals without security or collateral.

Success stories in neighbouring countries, like Grameen Bank in Bangladesh, Bank Rakiat in Indonesia, Commercial & Industrial Bank in Phillipines, etc., gave further boost to the concept in India in the 1980s.

The Global Summit on Micro Finance held in Washington in Feb '97 set a global target of covering 100 million poor families with credit by 2005 - it was expected that 25-30 million of these could be in India alone.

The poor in India define the micro-finance market. The Planning Commission estimate of 1993-94 says 36% of the population or 320 million people live below the poverty line - there would be 140-150 million women alone living below the poverty line. Assuming that only 30% of the country's poor women are ready to adopt micro-finance as a method of poverty alleviation, it is estimated that 40-45 million poor women would need credit.

As against this, it is estimated that all agencies in India engaged in the provision of micro-finance services, would have together covered barely 1 million poor people by the close of 1998-99.

The most prominent national level micro-finance apex organisation providing micro-finance services for women in India is the National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK).

Concept and Features of Micro-Finance :

Micro-finance, as is being practiced by the National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK), could be defined as a set of services comprising the following activities:

a) Micro-credit : Small loans; primarily for income generation activities, but also for consumption and contingency needs.

b) Micro-savings : thrift or small savings from borrowers own resources.

The main features of the micro-finance services being provided by RMK are:

1. It is a tool for empowerment of the poorest; the higher the income and better the asset position of the borrower, the lower the incremental benefit from further equal doses of micro-credit is likely to be.
2. Delivery is normally through Self Help Groups (SHGs).
3. It is essentially for promoting self-employment; the opportunities of wage employment are limited in developing countries - micro finance increases the productivity of self-employment in the informal sector of the economy - generally used for (a) direct income generation (b) rearrangement of assets and liabilities for the household to participate in future opportunities and (c) consumption smoothing.
4. It is not just a financing system, but a tool for social

change, specially for women - it does not spring from market forces alone - it is potentially welfare enhancing - there is a public interest in promoting the growth of micro finance - this is what makes it acceptable as a valid goal for public policy.
5. Because micro credit is aimed at the poorest, micro-finance lending technology needs to mimic the informal lenders rather than the formal sector lending. It has to : a) provide for seasonality (b) allow repayment flexibility (c) eschew bureaucratic and legal formalities (d) fix a ceiling on loan sizes.

Microfinance approach is based on certain proven truths which are not always recognised. These are :

- That the poor are bankable; successful initiatives in micro finance demonstrate that there need not be a trade off between reaching the poor and profitability - micro finance constitutes a statement that the borrowers are not 'weaker sections' in need of charity, but can be treated as responsible people on business terms for mutual profit -
- That almost all poor households need to save, have the inherent capacity to save small amounts regularly and are willing to save provided they are motivated and facilitated to do so -
- That easy access to credit is more important than cheap subsidised credit which involves lengthy bureaucratic procedures - (some institutions in India are already lending to groups or SHGs at higher rates - this may prevent the groups from enjoying a sufficient margin and rapidly accumulating their own funds, but members continue to borrow at these high rates, even those who can borrow individually from banks) -
- 'Peer pressure' in groups helps in improving recoveries.

Reasons for Recent Focus on Poor Women :

The National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK) is working exclusively for poor women. Its loans are available solely and entirely to this target group. The reasons for this are several:

- Among the poor, the poor women are the most disadvantaged - they are characterized by lack of education and access to resources, both of which are required to help them work their way out of poverty and for upward economic and social mobility -
- The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy - this is due to low social status and lack of access to key resources -
- Evidence shows that groups of women are better customers than men - they are better managers of resources - benefits of l

oans are spread wider among the household if loans are routed through women - mixed groups are often inappropriate in Indian society - record of all-male groups is worse than that of all-women groups, everywhere.

The Opportunity International Australia helps people out of poverty through microfinance. Microfinance includes basic financial services - including small loans, savings accounts, fund transfers and insurance. Alongside non-financial services such as business training, microfinance assists people living in poverty who wouldn't usually qualify for regular banking services because they have no form of collateral or formal identification. Loans as small as $100 help people in poverty, start or grow their own small businesses. This enables them to earn an income so they can afford food, clean water, proper shelter and an education for their children.Through its local partners in the countries where its works. The opportunity is a provider of socially focused

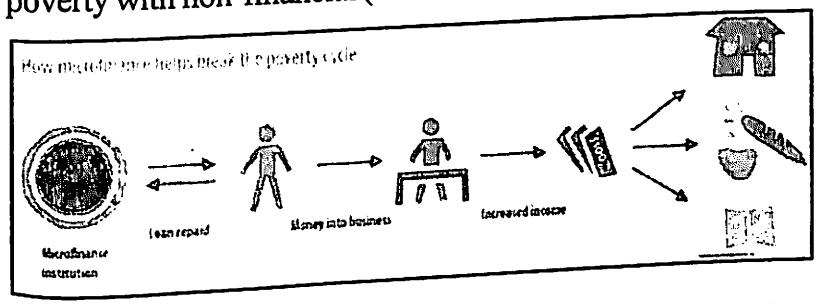
microfinance - it exists to help people out of poverty above all else.

Here's how it works...

By helping a mother buy a sewing machine to start a tailoring business or a father buy seeds to plant a vegetable garden, small loans enable people in poverty to earn an income and provide for their families. As each business grows, loans are paid back and lent out again. With 97% of loans repaid, the cycle continues, year after year. Each successful business feeds a family, employs more people and eventually helps empower a whole community.

Microfinance plus

As well as microfinance, it provides people living in poverty with non-financial (community development) services



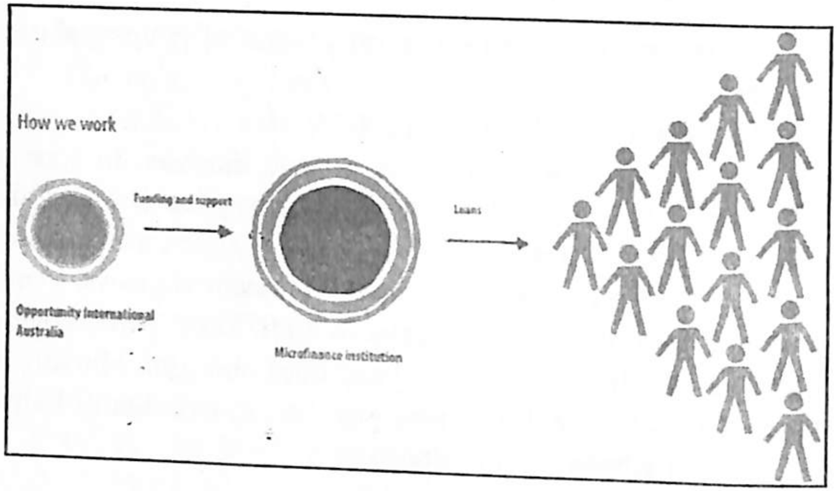
to strengthen their businesses and develop their communities.

Our partners

Opportunity works through local, socially focused microfinance institutions in developing countries. This ensures them understand the needs of people living in poverty in the area and allows it to serve them effectively.

Significance of This Study :

Villages and the inhabitants of villages, particularly the peasant community, are the very foundation of Indian



economy. The reason is not far to seek. Because over 60% of Indian people are farmers and agriculturists and there are millions of poor peasants whose income is too small to furnish them with the needed finance for agricultural development. They cannot easily find credit from banks, for their ignorance, illiteracy and security which stand on the way of their improvement. They are not easily accessible to banks due to so many paperwork and other obstacles. Co-operatives, on the other hand, are easily accessible to them. So, they can very easily collect the needed amount of loans for agriculture and other small economic activities.

These poor peasants of rural areas are ever victims of multifarious problems as of facing evenly occurring diseases, financing education of their children, saving inability thereby lack of investment, unemployment etc. These problems can better be solved or at least be mitigated through rural finance. Co-operatives are found always with them to help in these matters. Loans (micro credit) can be easily obtained through Primary Agricultural Credit Societies under Co-operative Apex Banks and they are also easily approachable to illiterate poor peasants. Agriculture and allied economic activities are known

to them fairly well from generation to generation and for this reason, easy-getting loans from co-operatives, if properly utilized, can undoubtedly and surely do a lot for their earnings and employment.

Women community of villages, particularly women of the peasant section, can be very nicely benefitted through cattle farming, piggery, and poultry farming on a small scale at their own home. Their participation in household economy can certainly do much in improving the family's economy in matters of saving, investment, and self-employment and above all in upgrading the socio-economic status in their family life.

Indian farmers and peasants, particularly the poor farmers and peasants, have been victims of money-lenders and intermediaries in respect of agricultural finance. Those profit-makers, supplying credit, take away the major parts of their hard-earned income by charging very high rate of interest and exacting the money with much severity. Co-operatives, doing everything in co-operation with the poor peasants and farmers, are ever trying to free them from the clutches of those money-lenders, mahajans, intermediaries etc. S.T. and MT loans from co-operatives since inception and functioning have been proving a significant helping-hand to those poor people.

Again, the concept of PURA (Providing Urban Amenities in Rural Areas), neo-Gandhian approach to development, has been out lined by Dr. A.P.J. Abdul Kalam, the then President of India, as the lever of economic upliftment of the villages. He stressed this in his address to the 'Food Security Summit' on 5th February, 2004. India currently has 260 million people living below poverty line. The GDP growth has been on the average 6 percent per annum during the last decade. If it has to be gradually increased up to 10% and to be sustained for several years. 'Agriculture and Food processing' is one of the given areas for the growth of GDP as mentioned. From this view-point also 'micro finance' of Co-operative banks is full of significance. 'Education and Health care for all' is another selected area among the five. It is the economic upliftment that can pave the way smoothly to attain this desired goal. So, those poor people of the agrarian community are in urgent need of credit like 'micro credit' from the co-operatives and their banks.

The present study, therefore, has its significance in that it attempts to examine as to how far 'micro credit' provided through the Co-operative Banks of Assam is able to show the success stories in case of our helpless farmers. The study is also to identify the factors that stand on the way to realize this goal.

Review of Literature

1.3. Micro Credit or Micro Finance has Tremendous Impact on the Upliftment of Rural Economy, Particularly of the Poor and Weak Section of the Peasant Community.

The concept of providing credit to the poor as a tool of poverty reduction was not unique. Dr. Akhtar Hameed Khan, founder of Pakistan Academy for Rural Development (now Bangladesh Academy for Rural Development) is credited for pioneering the idea. Prof. Yunus, an admirer of Dr. Hameed, visited the poorest households in the village of Jobra near Chittagong University in 1976 and discovered that the very small amount could make a disproportionate difference to a poor person. Those Jobra women at first made bamboo furniture by taking out usurious loans for buying bamboo and paid their profits to the money lenders. Prof. Yunus's first loan, consisting of USD 27.00 from his own pocket was made to 42 women in the village who made a net profit of BDT 0.50 (USD 0.02) each on the loan. In 1976 in the month of December, being successful in securing a loan from the government Janata Bank, lent to the poor in Jobra. This institution continued to operate with loans from other banks

for its projects. By 1982 the bank had 28,000 members. On 10 October, 1983, the pilot project began its operations as a full-fledged bank and was re- named the Grameen Bank (Village Bank) to make loans to poor Bangladeshis. As of July, Grameen Bank has issued US$ 6.38 billion to 7.4 million borrowers.

The Grameen Bank started to diverify in the late 1980s when it started attending to unutilized or under utilized fishing ponds as well a irrigation pumps like deep tubewells. In 1989, these diversified interests grew into Grameen Motsho (Grameen Fisheries Foundation) and Grameen Krishi (Grameen Agriculture Foundation). Overtime the Grameen initiative has grown into multifaceted group of profitable and non-profit-ventures like Grameen Trust and Grameen Fund which run projects such as Grameen Software Limited, Grameen Cyber Net Limited, Grameen Knitwear Limited, Grameen Telecom, Grameen phone. The Village Phone (Polliphone) of Grameen phone has brought cell-phone ownership to 260,000 rural poor in over 50,000 villages since the beginning of the project in March 1997.

The success of the Grameen model of micro financing has inspired similar efforts in a hundred of countries throughout the developing world. Industrialized nations including U.S. are also having inspiration from it. Yunus was named an Ashok: Innovators for the Public Global Academy Member in 2001 for his work with the Grameen Bank. Grameen's experience demonstrates that given the support of financial capital however small, the poor even the women folk are fully capable of improving their lives. Prof. Yunus the founder the Grameen Bank, in the International Seminar on Attacking Poverty with Micro credit, Dhaka, further says that micro credit is based on the premise that the poor have skills which remain unutilized or underutilized. Unleashing the energy and creativity in each human being is the answer the poverty.

'CGAP' is the abbreviation of 'The Consultative Group to Assist the Poor'. According to it, micro finance is the supply of loans, savings and other basic financial services to the poor. People living in poverty, like everyone else, need a diverse range of financial instruments to run their business, build assets, stabilize consumption and shield themselves against risks. CGAP by 'financial services' means the services like working Capital Loans, consumer credit, savings of various types, pensions, insurance, money transfer services etc.

CGAP again says that micro credit serves the poor sector of people but focuses solely on loan disbursement and collection. So, loan disbursement and collection are the points the CGAP particularly asserts.

CGAP also differentiates micro finance from those services which formal banks provide. This differentiation is brought about by the enumeration of small loans, small savings etc. that micro finance offers.

Kofi Annan, U. N. Secretary General also very minutely observes the poor peasants' economic activities and says that they (Poor People) feeling the need of financial services, are using these services already although they might look a little different. He also emphasizes on the necessity of financial services of the poor in matters of economic improvement. He finds that they (poor people) save all the time, although mostly in informal ways. They invest in assets such as gold, jewelers, domestic animals, building materials and things that can be easily exchanged for cash. They may set aside corn from their harvest to sell at a later date and so on. Kofi Annan, therefore, very clearly shows that the poor people keenly feel the necessity of micro finance almost all the time.

Sam Daley-Harris, Director, Micro credit summit campaign, makes comprehensive impact studies. His studies have demonstrated that micro finance helps poor house-holds

meet basic needs and protect against risks; the use of financial services by low- income households is associated with improvement in household economic welfare and enterprise stability or growth; by supporting women's economic welfare and enterprise stability or growth; by supporting women's economic participation micro finance helps to empower women this promoting gender-equity and improving households well-being and for almost all significant impacts, the magnitude of impact is positively related to the length of time that clients have been in the programme. Over and above other things, his study clearly reveals the impact of microfinance on women's economic participation and their empowerment promoting gender-equity and there by improving household well-being. According to the Jeffery Sachs, Director, The Earth Institute at Columbia University, micro-finance is but one strategy batting an immense problem. He making his point much clearer says that once the basics are in place, the people (poor people) are eating and can survive, then micro finance can play a huge role in helping a poor community find ways through the market to get new opportunities, to earn new income, to start solving, making investments and start the process of climbing the ladder of economic development etc. His idea about micro finance is that it begins the process of every economic development one after another even up to new business venture and so on. He, therefore, is of the opinion that micro finance can be a wonderful tool for such matters.

According to Data Snapshots on Micro-finance. The Virtual Library on Micro-credit, The World Bank estimates the existence of over 7000 micro finance institutions at present serving some 16,000000 poor people in developing countries. The total cash turnover of MFIs world-wide is estimated at US$ 2.5 billion and the potential for new growth is outstanding.

Gert Van Maanen in his Microcredit : Sound Business or Development Instrument Oiko credit, 2004, also maintains high opinion on 'Micro credit'. According to him it is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. He mentions that are for people with money, not for people without. He asserts micro finance as the most dependable and helpful financial service for the exceedingly poor people.

Empirical evidence shows, among the poor, those participating in micro finance programs who had access to financial services, were able to improve their well being-both at the individual and household level- much more than those who did not have access to financial services. As for instance

In Bangladesh, Bangladesh Rural Advancement committee (BRAC) clients increased household expenditures by 28% and assets by 112%. The incomes of Grameen members were 43% higher than incomes in non-program villages.

- In EL Salvador, the weekly income of FINCA clients increased on average by 145%
- In India, half of SHARE clients graduated out of poverty.
- In Ghana, 80% of clients of Freedom from Hunger had secondary income sources, compared to 50% for non-clients.
- In Lombok, Indonesia, the average income of Bank Rakyat Indonesia (BRI) borrowers increased by 112% and 90% of households graduated out of poverty.
- In Vietnam, Save the Children clients reduced food deficits from three months to one month.

The above facts have come from the Consultative Group to Assist the Poor (CGAP). This is the clear evidence as to the wonderful positive outcome might be accrued from micro financial services.

According to Asian Development Bank, micro finance is the provision of a broad range of financial services such as deposits, loans, payment services, insurance to poor and low income households and their micro enterprises. The Bank mentions that the major business of MFIs is to provide microfinance services which do not concern the bankable. ADB also observes microfinance having relations particularly with poor peasants and people with limited income and conspicuously small extent of land holdings. ADB, in connection with microfinance services, mentions three types of sources through which much finance is served. These are -

- formal institutions such as rural banks and co-operatives.
- semi formal institutions such as NGO, (Non government Organisations) and
- informal sources such as money lenders, shopkeepers.

ADB's definition of institutional microfinance includes microfinance services provided by both formal and semiformal institutions.

MDG (Millennium Development Goals), realizing the importance of microfinance observes that microfinance is one of the practical development strategies and approaches that should be implemented and supported to attain the bold ambition of reducing world poverty by half.

Datt R. and Sundhram K.P.M say that microfinance or microcredit is an attempt to combine lower transaction costs and high degree of repayment. They also find the involvement of potential beneficiaries of rural credit in the credit delivery system.

As Adds by Google, Microcredit has widely been directed by the non-profit sector while commercial lenders require more conventional forms of Collateral before making loans to microfinance institutions. But not it is successfully growing bigger and getting more credibility in the traditional finance world. Now-a-days the main stream finance industry is counting the microcredit projects a source of growth and the United Nations declared 2005 the International Year of Microcredit.

NABARD has been playing a catalytic role in promotional support to NGOs and also in nurturing quality SHGs knowing micro finance as the best method for creating additional employment and removing poverty. Datt and Sundharam mention in their 57th Revised Edition of Indian Economy that the SHG Bank linkage programme is implemented by more than 30,000 branches of commercial banks, RRBs and co-operative banks in over 520 districts in 30 states and Union Territories.

Arora S. Singh who participated in the Microfinance India Conference (New-Delhi, 2005) mentions the recognition of a Task Force on Microfinance. The T.F. says it much more than micro credit-a provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards. So, the Task Force asserts microfinance as a means for raising income levels and improving living standard of the poor.

Arora gives some examples how micro finance programmes have rapidly expanded in recent years. The examples are :

- Membership of Sa-Dhan (a leading association) has expanded from 43 to 96 community) Development Finance Institutions during 2001-04. In the same period, loan outstanding of these member MFIs have gone up from US$ 15 million to US$ 101 million.
- The CARE-CASHE programme worked with small NGO MFIs and Community owned-managed MF organisation. Outreach has expanded from 39,000 to around 300,000 women members over 2001-05. Many of the 26 CARE-CASHE partners and another 136 community organisations these NGO-MFIs work with, represent the next level of emerging MFIs and some of these are already dealing with ICICI Bank and ABN Amro.
- In addition to the dominant SHG methodology the portfolios of Grameen replicator have also grown dramatically. The outreach of SHare Microfinance Limited, for example, grew from 1,875 to 86,905 members between 2000 and 2005 and its loan portfolio has grown from US$ 0.47 million to US$40 million.

The 2005 national budget has further strengthened this policy and the Finance Minister Mr. P. Chidambram announced, "Government intends to promote MFIs in a big way. The way forward, I believe, is to identify MFIs. classify and rate such institutions and emprower them to intermediate between the lending banks and the beneficiaries.

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CHAPTER - II

2.1 Objectives of the present study are to-

(i) know the model of objectives, targets, plans and programmes set by the sample banks for their beneficiaries in the sampling areas;

(ii) assess the performance level of the sample banks (and their PACSs) through implementing the plans and programmes set before hand;

(iii) enquiry about the extent of productive utilization of loan, system of repayments by the beneficiaries to their respective banks and the problems thereon if any while availing and sanctioning the same etc.

2.2 Methods Applied:

The universe of the study:

Assam as a whole is taken as the universe of the study as the system of microfinance through cooperative banking to the rural areas is a subject specific to the state of Assam only due to its varied agrarian economy, cultural ethos, caste and beliefs, way of life etc.

The Sample of the study:

Dibrugarh district of Assam is taken as a sample district as it is one of the leading districts in regard to the area under farm land and the number of farmers benefitted much from

the services of cooperative banking through its microcredit system etc.

The Sampling Design :

In the district of Dibrugarh there are five co-operative bank branches, such as two bank branches located in Dibrugarh town and one each in Duliajan town, Naharkatia town and Moran town respectively. For the purpose of the study, two branches of Assam Co-operative Apex Bank Ltd. of the district namely Duliajan and Naharkatia branch, have been selected as these are the major bank branches in regard to their number of beneficiaries, areas of activities, performance level etc.

In the Duliajan branch there are four primary agricultural credit societies (PACSs), two of which have been taken into consideration on the basis of the existence of maximum number of beneficiaries than the other two.

Similarly, from Naharkatia Branch, three PACSs have been selected depending upon the inclusion of maximum number of beneficiaries than that of the other PACSs.

Again, in the two PACSs from Duliajan branch selected for the study, we have found a total of 512 beneficiaries. In the same way in the three PACSs selected from Naharakatia branch, we have got 1140 beneficiaries. So in total, we have 1652 beneficiaries from two branches of co-operative banks and under the five PACSs selected purposely to study their performance levels, problems and prospects within the Dibrugarh District of Assam.

Tools and techniques:

Data collected from different sources have been tabulated and analyzed by applying standard statistical and mathematical tools and techniques where necessary.

The Central Hypotheses:

(a) Performance level of the co-operative banks is satisfactory to the extent of providing loans only. Performances in regard to their methods of recovery of loans, imposing rates of interest, level of motivation; awareness etc. is not satisfactory at all;

(b) The pattern of utilization of micro loans by the beneficiaries is not up to the mark due to the basic problems of unskilledness, ignorance, illiteracy and extravagance.

There reference period:

The reference period of the study is within the years of 2009 and 2010.

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CHAPTER - III

3.1 A short history of the Assam Co-operative Apex Bank ltd.

The Success of the co-operative movement in Italy and Germany inspired the government of India also and consequently the Co-operative Credit Act was passed in the year 1904. Its objective was to make the poor peasants and workers economically self dependency on the investment of limited amount of capital in agriculture and making them easy accessible to necessary raw materials for small industries, businesses etc. Amending the Act a little, a central credit institution was established. Along with the Beginning of provincial self government, provincial governments were empowered to pass acts to cater the need of respective localities. In 1921-22 a provincial banks was established in Assam, Which existed till 15th August, 1947 but its overdue rose very high and the liquid asset of the bank was nominal. The financial condition of the bank reduced to a such degree that it even could not make the consumer's Co-operative movement successful in this region by way of lending.

In order to relieve the war affected people through agriculture and non agricultural credit, a state level co-operative financial institution was established in Assam also. In every sub-division a central Co-operative society was opened to provide the day today necessaries at whole-sale price. This step could cast a far-reaching influence in Assam's rural economy and consequently the Assam Co-Operative Apex Bank Ltd. was born in 20th October 1948.

The bank's real business began from 20.12.48 with financial assistance of Rs. 46 lakhs from the Assam government in 1949; the bank opened 17 new branches. In 1971 the main office was shifted to Guwahati from Shillong on political ground. The Bank at present has 68 branches including 6 zonal offices in Guwahati, Nagaon, Jorhat, Tezpur, Dhuburi and Silchar. There are 700 gaon panchayat Samabai Samitees, 25 multipurpose Samabai Samities which are offering variety of agricultural loans to the farmers throughout Assam. Moreover there are other nearly 14,000 Samambai Samitees (co-operative societies) functioning under the Assam Co-operative Apex Bank Limited.

The branches of the Assam Co-operative Apex Bank in the Dibrugarh district are:

(i) Apex Bank Limited Dibrugarh Branch,
(ii) Apex Bank Limited, Naliapool Branch,
(iii) Apex Bank Limited, Naharkatia Branch,
(IV) Apex Bank Limited, moran Branch,
(V) Apex Bank Limited, Duliajan Branch.

Out of the above five branches, two branches namely, the Apex Bank Ltd Duliajan Branch and the Apex Bank Ltd Naharkatia Branch are taken randomly for the purpose of the study.

The co-operative Apex bank Ltd. Duliajan and Naharkatia Branches, in a nutshell:

The Duliajan branch of the Apex Bank ltd. is situated in Duliajan Town under Tengakhat block in the district of

Dibrugarh, Assam. Its date of inception is 2nd may 1986. It has been functioning since its inception.

The branch is surrounded by many villages. The branch has four PACSs (Gaon panchayat Sambai samitee). The PACSs are Tipling / Fakial, Naoholia Bakulani; Kathalguri and kheremia. They cover 173 villages, big and small with 905 beneficiaries in total.

The branch has a good road communication to the four PACSs. The Duliajan railway station has only 1.5 km distance from the town. The PACSs offices are also situated at advantageous sites and easily reachable to the peasants.

The distance to the district HQ (Dibrugarh Town) is about 60k.m. It is connected with good road and railway communications. The branch therefore, has nice communication to the district HQ and also with the PACSs under its jurisdiction.

Naharkatia branch of the Assam Co-operative Apex Bank Ltd. is situated in Naharkatia town. Naharkatia railway station stands at a distance of less than one km. from the town and this branch is also well connected with good road communication. The distance to district HQ is about 70 km.

This branch of the Apex Bank was established in November, 1977. Its functions also began from that year of inception.

The branch has five PACSs however, all of them do not have all weather proof good motorable communications from Naharkatia town. The PACSs are Nigam, Jaypur; Tingkhong; Rajgarh and Mahmara Delhibari. The PACSs have 176 villages altogether with total number of 1440 beneficiaries.

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CHAPTER - IV

MICRO-CREDIT DELIVERY SYSTEM OF THE CO-OPERATIVE BANKS TO RURAL PEOPLE:

4.1 objectives and the extent of fulfillment:

Objectives of the bank branches of Duliajan and Naharkatia have been found of providing micro-finance against–

a) growing various crops like paddy oilseeds, vegetables and others;

b) purchasing of capital equipments by the farmers;

c) opening up of self-occupational activities like cattle and poultry farming, fish culture, horticulture, piggery, small area plantation of tea, pine-apple, banana etc.;

The co-operative banks ('A' Duliajan and 'B' Naharkatia) as shown in Table 4.1, have extended micro loans to 1652 beneficiaries (during the years between 2008 and 2010) for mentioned above (a) and (b) objectives. Most of them have not been able to take loans for fulfilling the 3rd objective due to shortage of land in excess of necessary for domestic purposes, lack of awareness, illiteracy etc .However; they said that they have an aspiration for begining such activities in the years to come if they can acquire loan from banks The table 4.1 shows the beneficiaries against their occupational activities classified by gaon panchayat samabai samitee (GPSS) or PACSs under the sample banks.

Table 4.1

Number of beneficiaries against occupational activities classified by PACSs under sample banks (between years 2008 and 2010)

Bank	PACSs	Activities	No. of Beneficiaries (figure in parentheses are percentages)	total
1	2	3	4	5
Bank 'A'	Naoholia Bakulani (gpss) PACSs	Growing crops without capital equipment (K) ,, ,, with K	210 (94.59) 12 (5.41)	222
	Kheremia (gpss) PACS	Growing crops without K ,, ,, with K	281 (96.90) 09 (3.10)	290
Bank 'B'	Nigam (gpss) PACS	Growing crops without K ,, ,, with K	191 (95.50) 09 (4.5)	200
	Tingkhong PACS (gpss)	Growing crops without K ,, ,, with K	622 (97.19) 18 (2.81)	640
	Rajgarh (gpss) PACS	Growing crops without K ,, ,, with K	292 (97.33) 08 (2.67)	300
	Total-			1652

Table 4.1 Shows 1652 beneficiaries against various occupational activities in absolute and percentage terms. These beneficiaries belong to five GPSS (PACSs) under two sample bank branches 'A' and 'B.' For example–

The two PACSs of Bank 'A' namely Naoholia Bakulani and Kheremia have 512 beneficiaries. Naoholia / Bakulani has 222 beneficiaries out of which 94.59% beneficiaries have been provided finance for growing various crops and 12 (5.41%) beneficiaries for purchasing capital equipments like power tiller and Tractor. Kheremia PACSs has 290 beneficiaries. The bank 'A' has provided micro credit to 281 (96.90%) beneficiaries for growing variety of crops and to 09 (3.10%) of the beneficiaries for purchasing capital equipment. Percentage of beneficiaries growing crops is higher in case of kheremia and it is lower in case of Naoholia Bakulani. The reason behind it is not far to seek. Most of the beneficiaries of kheremia PACSs have very easy access to the Tengakhat block development office. The office is very near to them and it is situated in a very advantageous position to almost all the villages of the PACS. The beneficiaries of Naoholia Bakulani PACS don't have that access to it because, it is more than 16 km. away from them. Besides, transportations are also not so frequent from these villages. Nevertheless, in spite of having larger number beneficiaries of kheremia PACS, the percentage of borrowers for buying capital equipment is lower i.e. 3.10% only. The reason behind it is that many of them are lacking interest in modernization of farming or even unacquainted with the uses of this technique. Some of them are found defaulters of earlier loans and as such they have no chance to avail new loans further. Moreover many poor peasant are constantly hunted by various problems for which they are unable to make any headway whatsoever in their economy.

Among them, natural calamity is the major problem. Village under bank 'A' constantly face flood from the Dehing River. The river comes down from the Patkai range, a mountain of Burma (Myanmar) and flows through the villages of Naholia / Bakulani and Kheremia PACS with numbers of meandering and meets the river Brahmaputra at Dehingmukh which is some kilometers away to the south

of Dibrugarh. Every year during summer and rainy seasons the river creates floods and causes damage to human being, livestock and crops. The incessant rainfall during these months also adds fuel to the fire. The heavy water of rain and flood remains several days together creating undesirable misery to most of these poor peasants. Even during harvesting time hail -storm and rain occur every year and destroy their crops in the field. So they can not enjoy the desired fruits of their labour.

Secondly, these simple and religious minded people cannot neglect their traditions and social rites like marriage and sundry religious activities. Such socio-religious activities and performance also take away a considerable part of their hard-earned money.

Thirdly, their illiteracy and ignorance are also no less responsible for their poverty. They spend more or have higher propensity to spend than what they earn and this sort of imprudence also worsens their economic condition.

The three PACSs of Bank 'B' namely Nigam, Thingkong and Rajgarh have altogether 1140 beneficiaries.

The table 4.1 further shows that among the three PACS under bank 'B', Tingkhong has a highest number of beneficiaries, i.e.640. Out of which, 622 (97.19%) beneficiaries have been given crops loan and the rest (2.81%) has taken loan for the purchase of capital equipment only. Similarly, the proportion of beneficiaries utilizing crop loan and loan for purchasing capital equipments in Nigam are 191(95.50%) and 09 (4.5%). In Rajgarh, the figures are 292(97.33%) and 08 (2.67%). The causes of increasing number of beneficiaries using crop loan rather than loan for capital equipment are almost similar to that of two other PACS under bank 'A'. The problems they are constantly facing are that they have to suffer from shortages of rainfall during agriculture seasons, long distance to the markets for sale of products and shortage of the buyers in local markets etc. The whole extensive area is full of villages and nearby towns, such as Naharkatia, Namrup and Moran are situated at a good distance from them and consequently, more of field produce remains unsold and if it is sold then, producers sell them at very low prices than the market rate. Illiteracy, reckless spending, observance of various ceremonies etc. of course, are in them. These are the causes for which borrowers of medium term (M.T.) loans are very small and below expectation as according to bank officials.

However, the banks, 'A' and 'B' have their strategy towards empowering these poor peasants in the long run. The K.C.C (Kishan Credit Card), a recent addition in this region will go a long way in the matter of rural agricultural credit delivery for economic upliftment poor peasants. The banks with the help of NABARD and RBI are planning for optimization of the peasants' economic well-being. They prepare schemes to attract more borrowers of MT loans for agriculture and allied activities from among the villagers. District Credit Plan for the year 2009-10 prepared by the Lead Bank Dibrugarh district has already been received by the banks. The concerning authorities through their PACSs are planning for more loan facilities. Government of India's Debt Relief Scheme for the poor borrowers shall be helpful for the sample banks in launching their future scheme and the beneficiaries are also full of aspiration towards the implementation of schemes of the banks.

The banks Duliajan ('A') and Naharkatia ('B') had targets to distribute loans of Rs.18 (eighteen) lakhs to 1652 beneficiaries (marginal farmers) during the year 2008-

09 and Rs. 12.50 lakhs during the year 2009-10. As shown in table 4.2 below.

4.2 TARGET AND ACHIEVEMENT OF THE BANK IN THE DISTRIBUTION OF THE LOAN TO BENEFICIARIES DURING 2008-2009 AND 2009-2010:

Banks	PACSs	Targets Rs. in lakh 2008-09	Achievements Rs. in lakh (in bracket %) 2008-09	Targets Rs. in lakh 2009-10	Achievements Rs. in lakh 2009-10
1	2	3	4	5	6
Bank 'A'	1.Naoholia Bakulani	3.00	2.50 (83.33%)	2.50	2.00 (80%)
	2. kheremia	3.50	2.50 (71.43%)	2.50	2.00 (80%)
	Total	Rs. 6.50	5.00 (77%)	Rs. 5.00	Rs. 4.00 (80%)
Bank 'B'	Nigam	3.00	2.50 (83.33%)	2.50	2.20 (88%)
	Tingkhong	5.00	3.00 (60%)	2.50	2.30 (92%)
	Rajgarh	3.50	2.50 (71.43%)	Rs 7.50	2.00 (80%)
	Total	Rs. 11.50	Rs.8.00 (69.57%)	Rs. 7.50	Rs 6.50(86.66%)

The table 4.2 shows the targets and achievements of the bank 'A' and bank 'B' in matters of loans to 1652 beneficiaries of 5 PACSs under them during two years of 2008-09 and 2009-10. The Bank A's achievements in case of Naoholia Bakulani PACS for the period of year 2008-09 was 83.33% and during the next financial year of 2009-10, it was 80% against the targets aimed for. Again in case of Kheremia PACS, during the year 2008-09 the achievement was 71.43% and throughout the next year i.e. 2009-10, it achieved 80% against the targets taken. In case of first PACS, about 17% of the target is not attained in the year 2008-09 and the second year achievement decreases to 80% which is 3.33% below the achievement of the first year. In case of Khermia PACS also we find that the Bank's achievement in the first year is below the target by 28.57% but in the year i.e. 2009-10, although the achievement has not reached the target yet, the achievement is above the achievement of the previous year by 8.57%.

Similarly, Bank B's achievement in case of Nigam in the year 2008-09 is 83.33% and in the year 2009-10 it is 88%. In both years the bank is not fully successful in fulfilling the targets but the achievement of the bank in the second year is inspiring. It is 4.69% above the achievement of the previous year. Bank's achievement in case of Tingkhong during 2008-2009 is 60% which is 40% below the target, but during 2009-10 the achievement of the bank rises to 92% which is above the previous year's achievement by 32%. It is really an inspiring sign of credit utilization. Again bank B's achievement in case of Rajgarh PACS is 71.43 % during 2008-09 but the achievement during the next year that is in 2009-10 is optimistic so far. It is 80% and it is above the previous year's achievement by 8.57%.

We have also found that bank 'A' had taken targets of Rs. 6.50 lakh for the PACSs in the year 2008-09, the total achievement during that year is 77% which is 23% below the target and during the next year i.e. 2009-10 the bank had taken the target to distribute the loan amount of Rs 5 lakh and the achievement is 80 % and it is above the achievement of the earlier year of 2008-09.

In the same way, we find that the target of the bank 'B' during 2008-09 for the three PACSs was to distribute Rs.

11.50 lakh for economic well being of the marginal farmers and the Bank's total achievement for the year is 69.57% which is 30.43% below the target taken for the year. But in the next year i.e. 2009-10, the target was to distribute 7.5 lakhs, whereas, the achievement was 6.5 lakhs (86.66%) which is 17.09% above the achievement of the year 2008-09.

To be more specific, the achievement of the bank in case of Naoholia Bakulani during 2009-2010 is less than that of the year 2008-09. In other words, during 2008-09, the achievement in case of Naoholia Bakulani is 83.33 % and in the next year i.e. 2009-10 it is 80%. It means a comedown of the achievement by 3.33 %, which is not at all a desirable phenomenon. On investigation it is revealed that several farmers were badly affected by the heavy rain and hailstorm during harvesting season in the previous year (2008-2009) and as such they could not avail new loan facility extended by the Bank. Nonetheless, no such natural calamities harmed the farmers of Kheremia, Nigarm, Tingkong and Rajgarh PACSs during that season of the year. Rainfall was normal and very congenial to the crops in the field. We were also inquisitive as to the shortfall of achievement percentage in case of Khermia, Tingkhong and Rajgarh during the year 2008-09, because during that year Naoholia Bakulani and Nigam had both 83.33% of achievement. We came to know that these three PACSs had heavy rainfall and hail storm during harvesting season in the previous year i.e, 2008-09. Many of the marginal farmers of the said three PACSs could not harvest good crops as such and in spite of their willingness they could not avail the agricultural loans further.

The targets of the banks are less in 2009-10 compared to the earlier period of 2008-09. The targets in cases of

Naoholia Bakulani and Nigam are less by 16.67% in 2009-2010 compared to the target of the period 2008-09. In case of Kheremia and Rajgarh it is less by 28.57% compared to the earlier period of 2008-09; but in case of Tingknong it is 50% less than that of the period 2008-09. As to the differences in the targets, we come to know from secondary source that lack of viability and feasibility on the part of several farmers is the major cause lying behind the scene. Most of the marginal farmers (who are also beneficiaries of our sample banks) are economically very weak. Their financial side is too feeble to be overburdened themselves. But they have left no stone unturned in uplifting their household economy at least to some extent. The banks although, have revised the target to a lower level during 2009-10, most of the farmers of the PACSs did their best possible effort in the direction to acquire loan during this year. So the achievements of the banks during 2009-10 are higher compared to the achievement of 2008-09. In case of the Naholia Bakulani, although the achievement has stepped down to 80% in the year 2009-10 yet, its percentage of target is at par with Kheremia and Rajgarh PACSs in that year.

However, for a conscious and minute observer the targets and achievements in both years would be seemed something gloomy. Because, it is seen that the banks (both 'A' and 'B') are bound to have cut down their targeted loan amount considerably during the year 2009-2010 and still the same has not been fulfilled, in spite of that the targets were fixed lower keeping in mind the achievements of the previous year. However, these banks can be said to have done considerably for the marginal farmers who have been the victims of poverty, for years together owing to limited

production for scarce money and capital, scanty of rainfall, inaccessibility to the markets for sale of products, shortage of actual local buyers etc.

4.3 SIZES OF ACTUAL CREDIT DELIVERY OF THE BANKS THROUGH PACS, DURING THE TWO YEARS OF 2008-09 AND 2009-10

"Microfinance is the supply of loans, savings, and other basic financial services to the poor" – It is an opinion as well as a definition given by 'The Consultative- Group to Assist the Poor (CGAP)

Another definition given by the 'Group' is – "An MFI (Microfinance Institution) can be broadly define as an organization – Credit union, down-scaled Commercial bank, financial NGO, or credit Co-operative- that provides services for the poor.

PACSs (primary Agricultural co-operative societies) provide services for the poor and marginal farmers and the finance comes from the concerning Co-operative banks. The PACSs distribute the money to their beneficiaries according to rules set for the purpose.

Our sample Banks 'A' and 'B' also have delivered credits to the farmer-beneficiaries through 5 (five) PACSs. Two of them belong to 'A' and the rest 3 (Three) belong to Bank 'B'. Table 4.3 shows the amount of actual credit delivery of the two banks:

Table 4.3: Actual Credit Delivery of the Bank 'A' and Bank 'B' through PACSs.

Banks	PACSs	Credit Delivery during 2008-09 (Rs. in lakh)	Credit Delivery during 2009-10 (Rs. in lakh)
1	2	3	4
Bank 'A'	1.Naholia Bakuloni	Rs. 2.50	Rs. 2.00 (leg behind 25%)
	2. Kheremia	Rs. 2.50	Rs 2.00 ,, ,, (25%)
Total		Rs 5.00	Rs, 4.00 ,, ,, (25%)
Bank 'B'	1. Nigam	Rs. 2.50	Rs. 2.20 ,, ,, (13.64%)
	2. Tingkhong	Rs. 3.00	Rs. 2.30 ,, ,, (30.43%)
	3. Rajgarh	Rs. 2.50	Rs. 2.00 ,, ,, (25%)
Total		Rs. 8.00 (Lakh)	Rs. 6.50 ,, ,, (23%)

Table 4.3 shows the credit delivery of bank 'A' during two years (2008-09 and 2009-10) and the amounts shown in the table are utilized by the beneficiaries of respective PACS and amount of credit is shown in lakh rupees.

Credit delivery to Naoholia/ Bakulani during the year 2008-09 is higher than the credit delivered within the year 2009-10. There is a difference of 25% between the amounts delivered in two years. Similarly the credit delivered to Kheremia during 2008-09 and 2009-10 bears a difference of 25%. Consequently, we find 25% difference between the total amounts of credits delivered by Bank 'A' to the PACSs between two years.

When we look to the credit delivery of Bank 'B,' we find more or less difference in its three PACSs also. In case of Nigam, the difference is 13.64%; in case of Tingkhong, it is 30.43% and in case of Rajgarh, the difference is 25%.

It is clear that the credit delivered during the previous year, that is 2008-09 is higher than the credit delivered during the next year that is within 2009-10.

·The reasons behind the differences between the two periods in credit delivery to the PACS by the Bank 'A' and Bank 'B' are: one, the inability of the PACSs to demand more credit (from sample banks) for utilization during the second year, because a good many beneficiaries were defaulters; two, PACSs were not active enough to inspire their beneficiaries in raising their crops during Robi season; three, some sort of lethargy on the part of the banks of to-day was also a contributory factor in this matter. They did not press their PACSs or did not think to press them for a quick and regular recovery drive. Above all, the ignorance, illiteracy and extreme poverty on their part are making everything topsy-turvy. But in spite of all this, these sample banks are 'friend' philosopher and guide to marginal farmers of the PACSs. These peasants although stumbling in darkness but soon they will walk in the sun-shine with brain and brown together.

4.4 CRITERIA FOR SELECTION OF BORROWERS OF SMALL LOANS BY BANKS:

Microfinance is the provision of financial services, including credit, savings, insurance and other services to individuals who would otherwise be excluded from the formal financial sector usually due to lack of collateral.

As per secondary sources, we come to know that the banks have selected the borrowers for micro-financing on the basis of land holding certificates against their names. Besides, viability and feasibility of plans for investment undertaken by borrowers are also considered in particular cases.

Table 4.4.1

Selection of borrowers on the basis of the size of land holding

Sl. No.	Landholding in Bighas	No. beneficiaries						
		Bank 'A' Duliajan			Bank 'B' Naharkatia			grand Total
		2008-09	2009-10	Total	2008-09	2009-10	Total	
	1	2	3	4	5	6	7	8
1.	01 -02 Bighas	105 (67.74)	50 (32.26%)	155	300 (74.46%)	110 (26.83%)	410	565
2.	02 - 04 Bighas	90 (62.07%)	55 (37.93%)	145	210 (68.85%)	95 (31.15%)	305	450
3.	04 - 06 Bighas	60 (60%)	40 (40%)	100	129 (58.91%)	90 (41.09%)	219	319
4.	06 - 08 Bighas	70 (62.50%)	42 (37.50%)	112	120 (58.25%)	86 (41.75%)	206	318
Grand Total		325	187	512	759	381	1140	1652

Our 1652 borrowers (beneficiaries), of whom 30.99% from bank 'A' and 69.01% from Bank 'B' are shown in the table 4.4.1 under four categories:

The table 4.4.1 shows the beneficiaries (borrowers) in four categories on the basis of land holdings. They are shown in bank- wise and year-wise division as per criteria of selection of borrowers of loans by banks. The beneficiaries are divided as land holders of the sizes from 01 bigha to 02 bighas as (category-1); 02 to 04 bighas as (category-2); 04 to 06 bighas (as category-3) and 06 to 08 bighas (as category-4). These are marginal farmers who are all along haunted by multifarious problems and who cannot save but only try to pull on one way or another. All the 512 beneficiaries of bank 'A' are divided into 1,2,3 and 4 categories and the

distribution of beneficiaries are as - 155 in category-1; 145 in category-2; 100 in category-3 and 112 in category-4. Similarly, bank 'B' has 410 beneficiaries in category-1; 305 in category-2; 219 in category-3 and 206 in category-4. The picture has been shown seperately for 2008-09 and 2009-10 years for bank 'A' and 'B'. We find that the number of borrowers during the year 2008-09 is much higher i.e., 325 as compared to 187 in the period of 2009-10 of bank 'A'. Whereas, bank 'B', has the number of beneficiaries as 759 and 381 respectively during the two diffeent periods. On the other hand, the number of borrowers (beneficiaries) enlisted with the sample banks diminish as the sizes of land holding increases. It means that the number of marginal or small farmers enlisted as beneficiaries is greater among the total number of sample beneficiaries. For example, in category-1, there are in total 565 beneficiaries for two banks together, in category-2, 3 and 4 there are 450, 319 and 318 respectively. Again, the number of beneficiaries in category-1 in bank 'A' is much lower i.e., 155 compared to 410 in case of bank 'B'. Similarly, in category-2, 3 and 4 the figures of beneficiaries for bank 'A' and 'B' are as 145 and 305, 100 and 219, 112 and 206 respectively. The reasons of this distinction in the sample banks in regard to the proportion of beneficiaries are suitably discussed earlier. Alternatively, more beneficiaries in category-1 points out the fact that the sample banks are more sympathetic to marginal or very small farmers than the big farmers when the question of selection of beneficiaries comes to the fore for the former. However, our investigation has also disclosed another fact that the beneficiaries who were to borrow during the next year, that is, the year 2009-10 had to clear their earlier debts during the earlier period of 2008-09 and so the beneficiaries of the latter period are thus regarded as the non-defaulters of earlier loan repayments.

So, it is very apparent that marginal and small farmers possess a major place in the lists of bank 'A' and bank' 'B' as shown in table 4.4.1. This investigator has further found that these small and marginal farmers are generally excluded from other formal financial sector due to lack of collateral. It is the co-operative banks or primary agricultural credit societies from whom these farmers can expect finance for their economic wellbeing. Big farmers can easily approach those banks or formal financial institutions for their required financial assistance. Co-operative banks exist particularly to assist the small and marginal farmers, to rescue them from the shackles of economic bondage which is meted out by money lenders, intermediaries and other social parasites. The government of India is also adopting policies from time to time to give a reasonable standard of living to them through various ways and co-operative institutions on their part have also followed such directives towards these farmers. If these marginal farmers are not given priority of attention by these banks, then they are likely to be reduced to further deterioration. Moreover India being an agrarian country needs to look into the conditions of the farmers and agriculturists from the very bottom. The constitution of India also lays down some specific articles and sub-articles for the upliftment of the socially and economically depressed people of our country. It is also said by these sample marginal farmers that they are bound to be satisfied with the short-term crop loans received from the banks through PACSs. Almost all the lands occupied by them are low-lands and suitable for paddy cultivation. This is the only kharif crop raised by the farmers during monsoon.

Low-lying lands become free from stagnant water as soon as winter comes and then these wetlands are used for raising Rabi crops too. It is worth mentioning here that crop land of Assam is generally different in nature from those of U.P, Punjab, Haryana, Maharashtra etc. and have some affinities with those of Tamil Nadu, Orissa and some parts of Andhra. Most of the farmers of our study possess very small extent of highland i.e. land where water does not confine and in such lands they had to raise Robi crops a bit earlier. All of the marginal and small farmer-beneficiaries have been provided short term (ST) loans and a few farmers of category-4 (land holding) have been given mid term (MT) loans only. The table given below clearly shows the borrowers of ST and MT loans.

Table 4.4.2 shows the year-wise distribution of borrowers of ST (short term) and MT (mid term) loans on the basis of sizes landholdings. The borrowers of the second year i.e. 2009-10, are the new ones of getting loans from the PACSs and the borrowers of the previous year i.e. 2008-09 have not been enlisted among the borrowers of 2009-10. Because, most of them have been the defaulters of earlier loans and so, they have not been given a chance to apply for new loans. Consequently, we find that percentage of borrowers in all four categories of land holdings in the year 2008-09 is higher than that of the borrowers of the year 2009-10. However, these are the borrowers who have already finished repaying their earlier loans taken before 2008-09 and the banks hence, have included them in the borrowers list of 2008-09. Even so, we find some beneficiaries of bank 'A' who, in spite of having already cleared their loans earlier than 2008-09, have not taken loan afresh in the same year. Our study has revealed that these

Table 4.4.2:- distribution of borrowers of ST and MT loans on the basis of land holdings:

Sizes of land holding (Bighas)	Bank 'A' Beneficiaries- 512					Bank 'B' Beneficiaries- 1140							
	PACS (Figures in brackets are the percentages)				ST MT LOAN	PACS (Figures in brackets are the percentages)						ST MT OAN	
1	2		3		4	5		6		7		8	9
	Naoholia 222		Kheremia 290			Nigam 200		Tingkhong 640		Rajgarh 300			Total
	2008-09	2009-10	2008-09	2009-10		2008-09	2009-10	2008-09	2009-10	2008-09	2009-10		
01-02 Bighas	37 (23.87)	24 (15.48)	52 (33.55)	42 (27.1)	155 --	32 (7.8)	23 (5.61)	182 (44.39)	77 (18.78)	56. (13.66)	40 (9.8)	410 -- -	565 (34.2)
02-04 Bighas	33. (22.76)	28 (19.3)	50 (34.48)	34 (23.45)	145 --	32 (10.49)	18 (5.9)	140 (45.9)	44 (14.43)	41 (13.44)	30 (9.8)	305 - --	450 (27.24)
04-06 Bighas	27 (27)	21 (21)	30 (30)	22 (22)	100 --	25 (11.4)	20 (9.1)	46 (21)	44 (20.1)	59 (26.9)	25 (11.4)	219 - --	319 (19.31)
06-08 Bighas	30 (27.78)	22 (20.37)	31+4 (28.7)	25 (23.15)	108 - 04	31 (15.5)	19 (9.5)	58 (29) +6	43 (21.5)	29 (14.5)	20 (10)	200 - 06	312 (19) +6
	127 (25)	95 (18.7)	163+4 (32.87)	123 (24.2)	508- 04 (30.94)	120 (10.6)	80 (7.1)	426+6 (38.1)	208 (18.3)	185 (16.3)	115 (0.14	1134- 06 (69.1)	1642 (99.39) +10=16 52

farmers' domestic and purely personal troubles made them refuse loans during that year. The percentage of S.T. loan borrowers among the five PACSs under two sample banks is 99.39 per cent (1642) and the percentage of M.T. loan borrowers is very negligible which is just 0.61 per cent (ten only) among the total borrowers in the two consecutive years. On the basis of respective banks profile, it is shown that 30.94 per cent belongs to S.T. loan borrowers of bank 'A' and 69.06% of bank 'B'. Whereas, the number of M.T. loan borrowers of bank 'A' is four and that of bank 'B' are six only. Actually, the fact is that the number of M.T. loan beneficiaries is much small and that too for the farmers of land holding between six to eight bighas. There are only 10 borrowers of MT loan and they all belong to category 4. Bank 'A' has 4 borrowers of MT loan, two from Naholia Bakulani and two belong to Kheremia PACS. Bank 'B' has six barrowers of MT loans, two from Nigam, three from Tinngkhong and one from Rajgarh PACSs for the period of 2008-09. The maximum number of S.T. beneficiaries i.e. 634 (38.61%), are found in Tingkhong PACS under bank 'B' followed by Rajgarh PACS having 300 (18.27%) of the same. The lowest number i.e. 200 (12.18%) of the same is found in Nigam PACS and that too is under bank 'B'. Under bank 'A', the maximum number of S.T. beneficiaries belong to Kheremia PACS i.e. 286 (17.42%), followed by 222 (13.52%) in Naoholia PACS. As mentioned earlier, the size of land holding of farmers between 01-02 bighas have been given priority in providing S.T. loans (i.e.565 or 34.41% out of 1642 of this category) and for that, bank 'B' alone has provided the same to 410 (24.97%) beneficiaries. Similarly, Bank 'A' has sanctioned the same to 155 beneficiaries (i.e.9.44%) only. Then, there are the landholding sizes such as, 02-04, 04-06 and 06-08 bighas where, the number of S.T. borrowers come out to be 450 (27.41%), 319 (19.43%), 312 (19%) respectively. The reason of so small a number of M.T. borrowers is that these marginal farmers with their tiny land sizes are economically too weak to borrow MT loans for the time being but a good number of beneficiaries from category 3 and category 4 expressed their willingness to take MT loans in near future. The bank also have their future plans for the beneficiaries of category 1 and category 2 to extend the benefits of MT loans which will open ways to adopt other allied activities for their all round economic development in the near future.

4.5 UNIT COST OF MANAGING LOANS, PROVIDING TRAINING, CONSTITUTES AWARNESS PROGRAMMES, ETC.,

While managing the loans delivered to the peasants, a percentage of 7% was charged against the loan sanctioned to them. So, a borrower of say Rs.10, 000 needs to pay Rs.700.00 (seven hundred) only as the cost of managing the loans. As to the cost of training or awareness program is concerned, it is DRDA (District Rural Development Agency) with the co-operation of the concerning block spends the amount necessary in the matter of launching training program etc. Daily allowance for trainees and other expenses involved in the programs are borne by them as per rules permissible. They bear all this as and when program is executed. So, the bank need not bear any financial liability in this regard.

CHAPTER-V

NATURE OF MICRO CREDIT PROVIDED TO BENEFICIARIES BY THE BANKS:

5.1 AMOUNT OF LOANS PROVIDED AGAINST AGRICULTURE, BUSINESS (TRADES), SERVICES etc.:

"Micro credit is a provision of thrift, credit and other financial product of very small amount to the poor in rural, semi urban and urban enabling them to raise their income level and improve living standard". -With this end in view the sample banks have provided short term (ST) and mid term (MT) loans to 1652 beneficiaries against their agriculture, business trades etc. The table 5.1(a) given below shows them all for the year 2008-09 year.

The Table 5.1 (a) has shown the beneficiaries for the year 2008-09, who are distributed micro loan in four categories on the basis of their size of land holdings. Thus, the banks have classified the farmers on principle as, from 01 to 02 bighas up to 06-08 bighas. Accordingly, 105 (or, 32.31%) beneficiaries in category 1; 90 (or, 27.69 %) in category 2; 60 (or,18.46%) in category 3 and 68 (or, 20.92 %) in category 4 have been provided S.T. loans of Rs.96,050 (19.21%); Rs.86,550 (17.31%); Rs.1,09,350 (21.87%) and Rs. 1,40,500 (28.1%) respectively for raising various food crops, by bank 'A' during

Table 5.1(a):- S.T. &M.T. loans sanctioned against raising various types of agricultural crops, business trades or services etc. on the basis of classified size of land holding for the year 2008-09.

Sl. No.	Categories of land holding in bighas	Types of loans	Bank 'A's beneficiaries (Figures in brackets are the percentages)	Amount delivered (Figures in brackets are the percentages)	Bank 'B's beneficiaries (Figures in brackets are the percentages)	Amount delivered (Figures in brackets are the percentages)	Purpose of loan
	1	2	3	4	5	6	7
1	01-02	ST	105 (32.31)	Rs.96,050 (19.21)	300 (39.53)	Rs.1,28,800(16.1)	For raising food crops
		MT	Nil	Nil	Nil	Nil	-
2	02 -04	ST	90 (27.69)	Rs.86,550/- (17.31)	210 (27.67)	Rs.1,47,120 (18.39)	For raising food crops
		MT	Nil	Nil	Nil	Nil	-
3	04 -06	ST	60 (18.46)	Rs.1,09,350 (21.87)	129 (16.99)	Rs.1,44,400 (18.05)	For raising food crops
		MT	Nil	Nil	Nil	Nil	-
4	06 -08	ST	68 (20.92)	Rs.1,40,500 (28.1)	117 (15.42)	Rs.3,01,200(37.65)	For raising food crops
		MT	02 (0.62)	Rs.67,550 (13.51)	03 (0.39)	Rs.78,480(9.81)	For purchasing capital equipments.
	Total		325	Rs.5,00000	759	Rs.8,00000	

the year 2008-09. There are two (i.e. 0.62 %) borrowers of mid- term loans who have received Rs.67.550 (13.51%) from bank 'A' for the same period, meant for purchasing capital equipments on behalf of agricultural and business purposes. Loans provided to the beneficiaries are not proportional. They have been provided the amount what is actually needed to them and in this connection, the bank has processed it after proper scrutiny into the necessity and ability of the beneficiaries so that they might not adversely suffer for the loan burden. For instance, the amount of loan (S.T.) provided to each individual beneficiary is the same within a category of land holding and dissimilar among all categories of land holding. Two M.T. loanees are found comparatively well-to-do farmers from the points of land holdings and house -hold economic conditions.

Likewise, the beneficiaries of bank 'B' are also divided into four categories from category 01 to category 04 based on the same principle just like what is in case of bank 'A'. Accordingly, the four categories from 01 to 04 are getting S.T. loans of Rs.1, 28.800 (16.1%); Rs.1, 47,120 (18.39%); Rs.1, 44,400 (18.05%) and Rs.3, 01,200 (37.65%) respectively for rising crops only. MT loanees who are three in numbers only, are given Rs.78, 480 for purchasing capital equipment. The percentage of this MT loan is 9.81% of the total loan amount delivered by bank 'B' for the year 2008-09.

The table 5.1(b), that follows thereafter (given bellow) shows the loans provided to the beneficiaries of four categories during the year 2009-10. The table shows that, the beneficiaries of ST (short term) loans in each category under bank 'A' are smaller in number in relation to that of the previous year. The percentage of beneficiaries in each category is nearly half of the percentage of 2008-09. They are 50 (26.74%), 55 (29.41%); 40 (21.39%) and 40 (21.39%) in 01, 02, 03 and 04 category respectively. The amount of loan disbursed to each category

Table 5.1(b):- S.T. & M.T. loans sanctioned against agricultural cropping, business (or, trades), services etc. on the basis of classified size of land holding for the year 2009-10.

Sl. No.	Categories of land holding in bighas	Type of loan	Bank 'A's beneficiaries (Figures in brackets are the percentages)	Amount delivered (Figures in brackets are the percentages)	Bank 'B's beneficiaries (Figures in brackets are the percentages)	Amount delivered (Figures in brackets are the percentages)	Purposes of loans
	1.	2.	3.	4.	5.	6.	7.
1	01 -02	ST	50 (26.74)	Rs.52,160 (13.04)	64 (16.78)	Rs. 90,415 (13.91)	For raising food crops
		MT	Nil	Nil	Nil	Nil	
2	02 – 04	ST	55 (29.41)	Rs.56,400 (14.1)	80 (21.06)	Rs. 72,085 (11.09)	For raising food crops
		MT	Nil	Nil	Nil	Nil	
3	04 -06	ST	40 (21.39)	Rs.103160 (25.79)	119 (31.1)	Rs. 1,21,810 (18.74)	For raising food crops
		MT	Nil	Nil	Nil	Nil	
4	06 -08	ST	40 (21.39)	Rs.106160 (26.54)	115 (30.27)	Rs. 2,69,035 (41.39)	For raising food crops
		MT	02 (1.07%)	Rs.82,120 (20.53)	03 (0.79)	Rs. 96,655 (14.87)	For raising food crops
	Total		187	Rs.4, 00000	381	Rs.6, 50,000	

successively from 01 to 04 are Rs.52, 160 (13.04%); Rs.56, 400 (14.1%); Rs.1, 03,160 (25.79%) and Rs.1, 06,160 (26.54%) respectively out of a total amount of Rs.4, 00000 prearranged for the purpose. Borrowers of mid term loan are only two and they have been provided a sum of Rs.82, 120 for purchasing capital equipments. The MT loan allotted is 20.53% of the total loan delivered for the year.

Similarly, Bank 'B' has sanctioned S.T. (short term) loan for the beneficiaries of three PACSs under it. The beneficiaries are also divided into four categories on the same basis and have allotted the amounts to each category for raising crops. Beneficiaries in each category from 01 to 04 are 16.78%; 21.06%; 31.1% and 30.27% respectively out of a total of 381. The bank has thus, sanctioned loans to each category, just like bank 'A' as 13.91%; 11.09%; 18.74% and 41.39% successively out of a total amount of Rs.6,50,000 allotted for the same. The MT (mid term) loan sanctioned to three beneficiaries (0.79%) is equal to Rs.96,655 (or,14.87%) of the total loan allotted for both ST and MT for the period 2009-10, and each of them has received more than 32,000 rupees for purchasing capital equipments.

If we cast our eyes outwardly to the amounts of loan delivered to the beneficiaries, the loans seem to be much smaller. But if we attentively see and minutely probe into the affair, we cannot but appreciate; the banks as because these co-operative banks are not on very strong footing as those of other parts of India particularly Tamil Nadủ, Punjab, Haryana, Maharashtra etc. The peasants are also hard- pressed marginal farmers time to time affected by natural calamities and multifarious domestic problems.

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CHAPTER-VI

TERMS AND CONDITIONS AGAINST SANCTIONING LOANS:

The 1652 micro-credit borrowers are the actual members of 5 PACSs of sample Bank 'A' and Bank 'B'. The conditions to be a member of any PACS are- (a) every one of them has to pay Rs.11 (eleven) only as a membership fee for acquiring membership of the concerning PACS; (b) he has to produce permanent individual landholding certificate issued against his name by the Deputy Commissioner of the district. That is, each and every member should have a landholding certificate of his own, and only on that basis, loan is sanctioned and (c) it is a principle of the sample banks that each applicant farmer's land holding must not exceed 8(eight) bighas (a little more than 2 and a half acres) of land. That is, a peasant who possesses up to 8 bighas of land holding and lives in a rural area is regarded as marginal and small farmers wherever applicable and is eligible as an applicant for a loan. The basic objective of the sample banks is to make such farmers economically viable and self-sustaining. While sanctioning loans to borrowers sample banks are to examine the viability

and feasibility of the borrowers about appropriate utilization and repayment of the loans without harming their own standard of living.

On the basis of these conditions, our (investigated) 1652 marginal farmers have received loans from the banks. As said earlier, 1642 of them have received S.T (Short term) loans while 10 beneficiaries have received M.T (Mid term) loans.

S.T. loans given to the 1642 farmers are sanctioned for 3 to 6 months, i.e. the time period generally necessary till harvesting their crops and that is why, these loans are named here as crop loans. However, this period of repayment may be extended to one year especially in case of the borrowers who may suffer due to the occurrence of some natural calamities in their cropped land. If some borrowers fail to repay their availing loans during the stipulated time i.e. 3 to 6 months and pay it at the end of the year i.e. if they take another six months to repay due to natural calamities like flood, hail storm, draught, excessive rainfall etc. while crops are in the field, the banks do not charge any excess rate of interest whatsoever. However, the banks must be convinced through first hand evidence.

As regard to the M.T. (Mid-term) loans, these loans are sanctioned for 3 years only. But it may be extended to 5 years considering the purpose and situation for which the loan has been granted. Our surveyed M.T. loanees have invested the loans in purchasing capital equipments for agricultural farming only.

6.1 RATES OF INTEREST AGAINST TERM OF LOANS SANCTIONED TO BENEFICIARIES:

As regards to the interest rate of ST and MT loans, it is charged in a graduated rate by the PACSs. Initially, the sample banks charge 9% to 10.50% interest per annum against the loans sanctioned from the borrowers. However, The PACSs charge higher rates of interest than that of the banks. They charge from the ST loanees at interest rate of 9.50% to 11% per annum and the rates of interest on MT loanees are ranging from 10.50% to 12.50% per annum in proportion to their amounts of loan sanctioned. PACSs have the rights to fix excess interest over and above rate determined by sample banks up to a limit of two per cent only. This is done to meet the expenses needed for maintaining the book of records by the PACs. When the repayment time goes beyond the preset term, the loanees will have to pay the same rates of interest unless and until the banks review the rate of interest depending on the flexibility of the market rate of interest for such agricultural loans. The table 6.1 shows the levels of interest differently for various amounts ST and MT loans from borrowers within two periods of 2008-09 and 2009-10.

Table 6.1: loans sanctioned to beneficiaries classified by rates of interest for 2008-09 and 2009-10 together:

Sl. No	Amount of loan classified	Rate of inter est	Benefici aries of two years	ST/MT loans
	1	2	3	4
1)	Rs.400'00- Rs.800'00	9.50 %	565	ST. loans
2)	Rs.800'00- Rs.1,500'00	10%	450	ST. loans
3)	Rs.1,500'00- Rs.2,000'00	10.50 %	319	ST. loans
4)	Rs.2,000'00- Rs.2,500'00	11%	308	ST. loans
5)	Rs.25,000'00 - Rs.30,000'00	10.50 %	3	MT. loans
6)	Rs.30,000'00 - Rs.35,000'00	11%	3	MT. loans
7)	Rs.35,000'00 - Rs.40,000'00	11.50 %	1	MT. loans
8)	Rs.40,000'00 - Rs.50,000'00	12.50 %	3	MT. loans

The table 6.1 given above shows how the PACSs have charged different rates of interest at various amounts loans, terms of loans etc. from the beneficiaries of the PACS. As the PACSs of Assam Co operative Apex Bank Ltd are financially not strong enough, these extra amount of interest charged by the PACSs not only brings in some money for smooth functioning of their good offices but also at the same time made borrowers aware of the loans to repay as soon as possible after utilization. However, the rates of interest whether they are charged by the banks or by PACSs are lower than the rates of interest charged by other banks from the borrowers.

6.2 SECURITIES / GUARANTEES / MORTGAGES RECEIVED AGAINST SANCTIONING LOAN:

In our study, 99.39 per cent i.e., 1642 out of 1652 beneficiaries of our study are borrowers of ST (short term) loans for raising crops only and these loans are meant for kharif and robi crops so, these loans are known as crop loans in accordance with these financial institutions . Moreover, as every loan taken by the beneficiaries have not exceeded Rs. 50,000 therefore, according to the procedure of the sample banks (Assam co-operative apex banks Ltd), no collateral securities/guarantees/mortgages etc. are necessary from the borrowers for any micro loans availed.

Again in case of MT loans sanctioned to 10 beneficiaries and investigated through our study is much below three lakh rupees. If the loan amount is three lakh or above, collateral securities are needed to submit by the borrowers before availing the same. So, our 1652 beneficiaries are free from such obligations.

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CHAPTER-VII

RECOVERY PERFORMANCE OF THE BANKS (Through PACS)

"The great challenge before us is to address the constraints that exclude people from full participation in the financial sector… Together we can and must build inclusive financial sectors that helps people improve their lives"– Kofi Annan UN Secretary General.

The fundamental principle of co-operative institution is to help the people in improving their lives through co-operation and mutual understanding. Being inspired with much a humanitarian idea, our Banks have extended financial assistance to the 1652 beneficiaries through five PACSs in the hope of giving a new lease of life to their dilapidated condition of their household economy and actually these marginal farmers are doing something appreciable coming up slowly and silently from the dungeon of economic slavery through their (Bank) assistance. But the finance provided to the beneficiaries must be recovered only for the interest of the borrowers themselves. So the recovery performances ought to have co-relation with the lending performance.

The sample banks ('A' and 'B') have shown their recovery performances against the loans sanctioned during 2008-09and 2009-10 years. The borrowers have co-operated

Table 7(a.): year wise delivery and recovery levels of loans by the sample banks (through PACSs) in the years 2008-09 and 2009-10:

Sl. No.	Banks	PACSs	Amount delivered 2008-09	Amount recovered 2008-09	Amount delivered 2009-10	Amount recovered 2009-10
1.	Bank 'A' 1	Naohola / Bakulani	2.50 lakh	Rs. 95,000/- 38%	Rs.2.00 lakh	Rs. 75,000/- 38%
	2.	Kheremia	2.50 lakh	Rs. 90,000/- 36%	Rs.2.00 lakh	Rs. 75,000/- 38%
2.	Bank 'B' 1	Nigam	3.00 lakh	Rs. 90,000/- 36%	2.20 lakh	Rs. 82,500/- 41.25%
	2.	Tingkhong	3.00 lakh	Rs. 1,08,000/- 36%	2.30 lakh	Rs, 82,800 36%
	3.	Rajgarh	2.50 lakh	Rs. 95,000 38%	2.00 lakh	Rs. 75,000/- 38%

differently. Some have completed their repayment of loans on time, while others have done it in a lengthy process. The table 7(a) given below shows the recovery position of the sample banks.

The table 7(a) above shows that the two PACSs of bank 'A' have recovered loans more than 36% in two years. More elaborately, Naoholia Bakuloni has recovered 38% and kneremia 36% of the loans in 2008-09. These Two PACSs have also recovered 38% each in the next year i.e. 2009-10. Similarly, two PACSs of Bank 'B' i.e Nigam and Tingkhong have recovered 36% each while, Rajgarh could recover 38% of loans given to the borrowers in the year 2008-09. On the other hand, these three PACSs could realize 41.25%, 36%, and 38% of loans respectively in the year 2009-10.

The beneficiaries generally repay their loans quarterly as agreed upon between concerning bank and themselves earlier. Normally, they sell their products of whatever they produce in the weekly local markets and as such some weeks are needed for them to collect the required amount of money for repayment. However, there are also some beneficiaries who repay on monthly basis according to the agreement made with the bank through PACSs. We have also come to know from study that some beneficiaries who are honest out and out have repaid loans in single installments just after one or two months from the time of harvesting their crops and a few irresponsible borrowers, who have repaid nothing till the time of our study.

7.1 Rules / steps framed for the recovery of loans from borrowers of microcredit:

Just like other branches of the Co-operative Apex Bank in Assam, our two sample banks have also been facing difficulties in the recovery of loans that have been extended to our studied 1652 borrowers in course of two years. Despite this, the banks have been adopting every possible means to recover the dues from the beneficiaries. Following are the rules framed by our sample banks like all other branches in Assam with the help of their respective PACSs. Such as-

a) frequent persuasion to borrowers to repay their dues;
b) request to the borrowers for compromised settlement of overdues;
c) engagement of recovery agents to collect the borrowers' loan dues on contractual basis;
d) application of BPDR ACT and
e) filing of Bakijai cases against defaulters.

First step is rather mild and quite co-operative without any harassment to the borrowers. The reason is that every co-operative institution rests on co-operation for mutual benefit particularly for those who are served. So, like other branches our sample banks also follow the same steps of frequent persuasion, believing that such a humanitarian process generally gives out desired result. Accordingly, the banks ('A' and 'B') have been able to motivate the farmer-borrowers in maters of repayment. The second one is the compromised settlement of overdue. By this process or step the concerning bank is making a settlement with the borrowers as to how to pay, when to pay and how much will be able pay after within a certain period etc. This has been paving the way for the borrowers to repay in pieces of their loan. Third process is the engagement of recovery agents on contractual basis. Bank officials leaving their allotted duty in the banks cannot indulge in going from borrowers to borrowers to recover the loans all the time nor can the responsible persons of the PACSs do the same neglecting the daily office works. So, they have taken recourse to such agents on contract. The agents collect the loans going every now and then to the borrowers in exchange of some

emoluments given by the banks to them for this purpose. This is purely on contractual basis and so, it is not a salary for the job. Despite many co-operative and humanitarian steps taken by the sample banks, some borrowers do not pay any heed to them. These borrowers are therefore brought under (d) and (e) steps. According to BPDR Act, such borrowers are withheld from further grants of loans until all the earlier loans repaid. The "Bakijai cases' are lodged against much dishonest borrowers. Such cases generally take a long period. In fact filing of a Bakijai case is the last or final step taken against those borrowers who have not responded at all to the other means for the recovery, in spite of their repeated application to the borrowers of this type.

7.2 PROBLEM IN THE RECOVERY OF LOANS;

Vagary of nature is at the root cause of all the problems that arise in recovery of loans. It is mentioned earlier that monsoon comes every year along with flood, excessive rainfall, untimely rain, hailstorm etc. At the same time, during that period drought and heavy rainfall also come to damage farmers crops in the field, more so just in the reaping season. Such disrupting situation, in case of our 1652 beneficiaries very often appears and consequently many of them cannot repay their loan on time regularly. Because, all the farmers under the two sample banks raise paddy as the principal kharif crop for food and sale purposes. Arable lands that are comparatively having a bit high altitude do not suffer when the rain is heavy and lingering for several days without interval but if such a situation occurs in comparatively lowlands and lands by the river side, the farmers become helpless. Similarly, when hailstorm comes in reaping season, it comes so heavily and thickly that sometime entire paddy crops are fully damaged.

Secondly, extreme poverty, illiteracy and ignorance of the beneficiaries also stand as major constraints in the recovery of the loans. When such a disrupting situation appears, the banks are compelled to withhold recovery process from those borrowers. Many of the farmers even do not take loans for raising robi crops next time after suffering from such a disturbing situation, for fear of overburden from additional loans, although they are offered distressed loans (loans given to distressed persons). They themselves attempt for robi crops with a very small amount capital furnish somehow. Those who are venturous have taken such a loan and repaid whatever they can. But when the seasons are favourable to them, these marginal farmers can work hard and raise fine crops. They in that case go on repaying their loans honestly. The banks also collect information of all this and co-operate with the honest farmers as much as the latter can do. They, therefore, do not press hard while such deplorable conditions happened to our farmers; they are bound be lenient so to say.

Thirdly, the existence of certain opportunists, self-centered rich people in the villages also results these marginal and honest farmers suffer badly. Those social parasites very often debar these peasants from getting reasonable prices of their agricultural products.

Frugality in case of several borrowers is also one of the problems in the recovery of loans. There are many peasants who are honest no doubt, but they are so uneconomical in spending that they forget their liability of repayment of loans. They have been spending lavishly in sundry affairs and so suffer at last. They in this way spend much money unnecessarily and consequently, they fail to repay their loan to the concerning bank.

Indifference to repayment of loans also creates a

problem. There are several borrowers in our study, who after receiving loan from the banks, totally forget that the money received from bank must be returned on time according to the agreement. They utilize their loans, raise crops or do business and make money; but they are so self-centric that they do not even think of repayment of debts and thus they create problem for the banks. These are comparatively educated borrowers and they are a bit experienced in such dishonesty. They even persuade the simple and sincere borrowers to follow like them and telling them about the debt redemption policy of the government.

However, whatever the problems encountered by the farmers under study in repaying loans, banks are generally found to have taken humanitarian steps in case of defaulters of loans. They normally follow those steps that cannot hamper the economy or wellbeing of the defaulters. So, the banks through the PACSs persuade the defaulters to repay their dues. This act of persuasion goes on repeatedly. As said above, recovery agents selected from the concerning villages are engaged in the recovery of loans. They are paid some amount of commission for the purpose, based on the amount of loans they collect from the borrowers. Borrowers are exempted from extra amount of interest if they repay the loan amount by a particular date or within a particular period. These are all done quite amicably so that both sides may be benefitted. But when all these steps fail, 'bakijai' case is filed against those adamant defaulters. This is a sort of cases lodged against defaulters to realize their unpaid amount. But such cases are very rare and take a long time for decision making. The defaulters (under study) of well-to-do condition have given consent to repay their loans within a short period and those who are really very weak economically have been given chances to redeem of their debts a bit via several processes by the government . After all co-operatives are really co-operative to the weaker communities and it is found justified from the activities of the co-operative institutions.

7.4 NATURE OF RESPONSES OF BORROWERS FOR REPAYMENT AND THE EXTENT OF SUCCESS IN THE RECOVERY DRIVE OF THE BANKS:

'Man is a rational animal' so it is natural that man can behave rationally if he finds time and atmosphere for understanding any problem he faces. For this rational trait the borrowers of our study have paid an affective response to the recovery drive of the banks. They are generally not at all unmindful to the steps taken for recovery of micro credit loan. It is the natural calamities, illiteracy and ignorance on their part that are solely responsible for non-repayment or partial repayment of that loans they had taken. Then, there is the existence of some dishonest and opportunist in the society who for their own interest try to lead the borrowers astray.

We find that majority of the borrowers have positive responses to the recovery drive of the sample banks. As table 7(b) shows, a good many borrowers under bank 'A' and bank 'B' have repaid their entire amount of loans while a large number of beneficiaries have repaid the same percentage wise within time scheduled. Only a small proportion of beneficiaries, have repaid nothing against their borrowings. Borrowers are found of three categories at least. The first group categorized as 'spoilt child' of the society who always want to be rich at the cost of others. The second group follows the first group and withholds their loan repayment either for being afraid of them or being assured by them that government will redeem their debts in due course of time. The third group consists of actually destitute people who are the victims of various problems such as, natural calamities,

bonded and even indebtedness to the rich people etc. and so, they are the actual poverty stricken people.

The recovery drive of the banks is not altogether discouraging. Rather the recovery drive is on and on. The secretaries and presidents of the PACSs and agents are trying their level best to realize the loans from the borrowers and even the borrowers who have not repaid at all till date are known to have come to an agreement to repay on installment basis. The table 7(b) given below shows the percentages of borrowers who have repaid their loans fully, partly etc. within the time period agreed between concerning bank and the borrowers of the respective PACS. It is seen from this table that maximum number of borrowers i.e., 410 (24.82%) under banks A and B have repaid cent per cent loan till the time of our study. While, the borrowers under bank B have been found more responsible for repayment of loans compared to that of bank A. For instance, under bank B, the percentages of borrowers repaying 100 per cent loan is ranging from 20 to 33 per cent whereas, for bank A, it is ranging from 10 to 18 per cent only. Similarly, the percentage of beneficiaries repaying 50 percent or above in case of bank B is also larger which is ranging from 16.7 to 37.5 per cent among three PACSs than 15.5 to 24.8 per cent only in case of bank A among two PACSs. In this way, as we go through this table microscopically, we again find that the percentages of borrowers repaying less than 50 percent or so in case of bank B is better compared to that of bank A. Likewise, column No. 8 in table 7(a) focuses the same picture of bank B. For example, when finding out the defaulters of loans (zero repayment) between banks A and B, it is learned that the number of defaulters under bank B is much smaller which is three to seven percent only as opposed to 21 to 29 per cent in case of bank A. The reasons behind this are that

Table 7(b):- No. of borrowers and their percentages of loan repayments classified by the concerning PACS under two sample banks during 2008-09 to 2009-2010 (N.B: figures in parentheses are the percentages)

	Banks	PACS	No. Of beneficiaries	100% repayment	Above 50% repayment	Below 50%.	30% and below	Zero repayment
	1	2	3	4	5	6	7	8
1	Bank 'A' Duliajan	Naoholia bakulani	222	40 (18.01)	55 (24.77)	40 (18.01)	40 (18.01)	47 (21.17)
		kheremia	290	30 (10.34)	45 (15.52)	50 (17.24)	80 (27.58)	85 (29.31)
2	Bank 'B' Naharkatia	nigam	200	40 (20.0)	65 (37.50)	50 (25.0)	30 (15.0)	15 (7.50)
		Tingkhong	640	200 (31.25)	120 (18.50)	180 (28.13)	100 (16.0)	40 (3.13)
		Rajgarh	300	100 (33.33)	50 (16.66)	60 (20.0)	70 (33.30)	20 (6.66)
		Total	1652	410 (24.82)	335 (20.28)	380 (23.0)	320 (19.37)	207 (12.53)

either the members of primary agricultural credit societies (PACSs) or the officials of bank B are more prompt in delivering their services to or motivating the beneficiaries and secondly, the beneficiaries are honest enough or responsible or cooperative in dealing with the other side compared to that of bank A.

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CHAPTER-VIII

EXTENT OF UTILIZATION OF MICRO CREDITS

"Some one who does not have a lot of money isn't likely to want to take out a $5000 loan, or be able to open a saving account with an opening balance of $1000 hence 'micro'. The Consultative Group to Assist the Poor (CGAP)

Micro credit, therefore, is the credit served to the poor who are unable to approach formal financial institutions for want of collateral. The 1652 beneficiaries of our study too being marginal or small farmers possessing very small landholdings are fairly benefited from micro credit provided by the sample banks through their own PACSs.

8.1 Extent of utilization of micro credit/ loan in activities relating to agricultural operations:

Out of 1652 beneficiaries of five PACSs under banks 'A' and 'B,' 1642 beneficiaries have been provided with S.T. (Short term) loans for raising crops like Kharif and Robi and 10 beneficiaries have got M.T. (mid term) loans for purchasing capital equipments to be used for agricultural purposes. The following table 8.1 shows the extent of loans utilization by the beneficiaries during the year of 2008-2009 and 2009-2010.

Table 8.1 given below, shows that 1642 borrowers from Sl.No.1 to 4 have been provided short term loans for raising rice and other cereals and from Sl. No 5 to 8 have shown 10 borrowers which have been sanctioned mid-term loans. As mentioned earlier, these M.T. loans belong to the 4th category farmers possessing land sizes ranging from six to eight bighas. Short term loans provided to those farmers who possess comparatively smaller sizes of land of below stx bighas and used for raising crops called crop loans during the two year period.

As to the utilization of loan on different activities of agriculture, borrowers of S.T. loan from a meager amount of Rs. 400 to Rs. 2,500 and borrowers of M.T. loan from Rs.25,000 to a hopping amount of Rs.50,000 are utilizing in varying degrees to perform various functions of agriculture. For example, 34.2 per cent (out of 1652) poor borrowers of meager loan between Rs.400-800 are investing the capital on cropping as- 20 % on purchasing of seeds, 25% each on cultivation and harvesting and 30% on miscellaneous activities. The second category (serial No.2) borrowers of Rs.800-1500 are investing the same as- 20% on purchasing seeds, 40% on cultivation, 25% on harvesting and 15% on miscellaneous functions. As regard to third category (Rs.1500-2000) 30% on purchasing seeds, 40% on cultivation, 25 on harvesting and 5% only on miscellaneous items. Category four is investing 35% on seeds, 40% on cultivation and 25% on harvesting. However, from percentages of investment for each category of borrowers, it is found that poorer the borrower larger is the spending on sundry matters. Richer the borrower larger is the spending on productive functions but lesser or zero

Table 8.1: Individual loan limits for 1652 borrowers amalgamated for two sample banks during 2008-09 and 2009-10 years and purposes of utilization:

Sl.No/ Categ-ory	Amount of S.T. & M.T. loans	Borrowers	Percentage of Utlisation on activities	purposes	Balance
	1	2	3	4	5
	S.T. Loans (in Rs.)	(Figures in brackets are the percentages)			
1.	400-800	565(34.2)	20% on purchase of seeds 25% on cultivation 25% on harvesting 30% on miscellaneous<	Growing crops (rice and cereals)	Nil
2.	800– 1500	450 (24.2)	20% on purchase of seeds 40% on cultivation 25% on harvesting 15% on miscellaneous<	Growing crop (rice and cereals)	Nil
3.	1,500– 2,000	319(19.3)	30% on purchase of seeds 40% on cultivation 25% on harvesting 5% on miscellaneous<	Growing crops (rice and cereals)	Nil
4.	2,000- 2,500	308(18.6)	35% on purchase of seeds 40% on cultivation 25% on harvesting	Growing crops (rice and cereals)	Nil
	M.T. Loans (in Rs.)				
5.	25,000- 30,000	3 (0.18)	100%on purchasing capital equipments power tiller and tractor	For cultivating (land) for self and for commercial purpose.	Nil
6.	30,000- 35,000	3 (0.18)	100%on purchasing capital equipments power tiller and tractor	For cultivating (land) for self and for commercial purpose.	Nil
7.	35,000- 40,000	1 (0.06)	100%on purchasing capital equipments tractor	For cultivating (land) for self and for commercial purpose.	Nil
8.	40,000- 50,000	3 (0.18)	100%on purchasing capital equipments tractor	For cultivating (land) for self and for commercial purpose.	Nil
	Total	1652			

spending on sundry activities. Whatever the loan amount they availed, they have spent all on growing paddy and cereals.

A few borrowers (ten) availing of M.T. loan ranging from Rs.25,000-50,000 are utilizing all for purchasing/ hiring capital equipments like tractors, power tillers etc. in modernizing the pattern of cultivation. The capital equipments have been used both for self purpose as well as for commercial purposes to earn additional income from from tilling others agricultural lands.

As mentioned, MT loans belong to those who possess land between 06 to 08 bighas and carrying on agricultural activities through mechanical devices. In normal situation, they can be said to have better managed family without facing much difficulty if, there is no damaging of crops by floods, hail-storm etc.

The borrowers of short term (S.T) loans, on the other hand, have been benefited much by utilizing the agricultural loan and helps uplifting their economic conditions. They were in a very sorrowful state so long they had no loans to utilize, only after receiving the loan and utilizing the same on agricultural activities, a specific change came to their economy. They got their food stuff to sustain themselves for the current year (of study). Most of them had no bullocks to till their cropping fields; no money to buy seeds and fertilizer etc.. But as the loan being provided by the bank, it enables marginal farmers to acquire required inputs necessary for farming. They got the opportunity to hire power titters or tractors of the neighbours for ploughing their fields. Now 60% of S.T. beneficiaries are found using mechanical devices by paying input cost to others and thus they now able to raise summer and winter crops together in

different seasons. Another 20% of the farmers are having their own bullocks and remaining 20% farmers are found having hand-puller (a hand-driven two wheeler vehicle) purchased out of their own income, necessary to carry on products of rice and vegetables to the daily or weekly markets. Such changes have been brought about in the family economy of the farmers only after latter took short term agricultural loans during the two years of our study.

Seeing the comparatively better-off position of the borrowers of S.T. and M.T. loans, some new farmers of similar conditions have come to the sample banks and shown their willingness for such loans for opening up fisheries, plantation of tea and pineapple etc. in their limited landholdings. We find from interrogation that the sample banks have the targets also to include some new beneficiaries in their business expansion plan in the near future.

The problems in utilizing micro loans:

After immensely studying sample borrowers with keen interest, patience and labour for months together we find that the majority of problems in the utilization of loans crop up from their utter simplicity, ignorance etc.

They are so simple, religious and friendly that they want to lead a life which is totally free from complexity what so over. So, they spend a party of their loan amount for family's sake prior to its proper utilization.

Secondly, all the borrowers of our study are not inspired by their mission or vision at all. They are hard workers undoubtedly and have some endurance and stamina too, but lack of ambition makes them stay at the same position more or less. This has a serious impact on the utilization of loans. We have been visiting them for several months and studied their activities concerning the utilization of their loans. While communicating personally we found that 75% of the borrowers living in different villages of five PACSs have no sincerity at work and no definite goal to meet the target. they are just pleased with what they are getting.

Thirdly, the problem in the utilization of loans also arises from the point of view land holding of the borrowers. More than 61% of the borrowers although possess tiny sizes of land (i.e., 01 to 04 bighas only), their individual land areas is found scattered here and there and so cultivation on this area of land is at all unprofitable for the farmers.

Fourthly, sometimes natural calamities also created a major impediment in the proper utilization of loans. forty to fifty per cent borrowers under Naoholia Bakulani and thirty five to forty per cent borrowers under kheremia PACSs under Bank 'A' have suffered a lot from floods appeared during 2008-09. At that time, as a consequence of lingering flood water, they could not properly utilize whatever they had bought of seeds, fertilizer etc. for the cropping land. Inversely, borrowers of Bank 'B' particularly living in villages under Tingkhong and Rajgarh PACSs have suffered for want of rain instead during cropping season. Almost 25% to 35% farmers under the two PACSs have suffered from the drought. In absence of irrigation system, (as these farmers solely depend on rain), they were unable to reap proper benefit from the utilization of their loans.

Fifthly, delay in the processing of loans also creates a problem in the timely utilization of loans by the beneficiaries and therefore, they easily pray to money lenders of their villages for a small amount of capital for investment. This is going on almost in all the villages and as such 25 to 30 per cent farmers of Khermia under bank 'A' have been taking

loans for farming from the rich people of their own villages. Similarly in Tingkhong, 20 to 25 per cent; in Rajgarh 15 to 23per cent and in Nigam 20 per cent farmers have been taking loans from this source during 2008-2009 and 2009-10 years. As and when co-operative loans are released, they immediately spend 15to 20 per cent of the loan amount on un productive activities.

Lastly, the habit of celebration of religious and social ceremonies by these rural people rather expensively diverts loan utilization from productive to unproductive channels. They thinks that money thus spent will be compensated some how from other sources. We find nearly 30 per cent of borrowers to have done it in our study period.

These problems are said to be endogenous in nature that arise in the utilization of loans by the borrowers of the sample Banks. There are some peripheral problems like untimely occurrence of diseases due un- hygienic atmosphere in most of the villages, children education etc. in which the farmers have to spend time and often enough money. When loan money is quite in hand during such problems these marginal farmers are bound to spend out of the loan amount insincerely.

If concerning authorities pay a keen attention to the activities of the farmers as well as money lenders of the area, some problems may be solved to some extent at least.

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CHAPTER-IX

CONCLUSION AND POLICY IMPLICATIONS:

The study was undertaken to identify the objectives, targets, plans and programmes framed by the sample bank branches i.e. Duliajan and Naharkatia of Assam Co-operative Apex Bank Ltd. for the 1652 beneficiaries in the sampling area under five PACSs in Dibrugarh district; to assess the performance level of the sample banks against the objectives and targets framed for; to evaluate how far the banks succeeded in achieving the goals and also to review the extent of utilization of loans (sanctioned by the sample banks) by the beneficiaries , level of repayment of loan etc. during the period between 2008 and 2010.

The study also seeks to examine the problems faced by the banks in recovery of loans from the beneficiaries; find out the nature of steps taken in case of defaulters of loans and responses of the borrowers against the recovery drive of the banks. This study further attempt to observe the problems in the utilization of loans by the beneficiaries (provided to them by the banks through the PACSs).

As mentioned, Dibrugarh district is taken as the sample district of the study. The five PACSs such as, Naoholia Bakulani, kheremia, Nigam, Tingkhong and Rajgarh are moderately connected with the Duliajan and Naharkatia sample bank branches of Assam Co-operative Apex Bank Ltd. through road communications. There are 181 big and small

villages in the jurisdiction of the PACSs where, 1652 beneficiaries of the two sample banks live in. Standard questionnaires were canvassed among these beneficiaries and the sample banks were also approached in the like manner to know all about performance, problems and prospects in regard to micro credit delivery to these beneficiaries.

The central hypotheses set ups for testing were that (a) the performance level of the co-operative banks is satisfactory to the extent of providing loans only. Performances in regard to their methods of recovery of loans, imposing rates of interest, level of motivation; awareness etc. are not satisfactory at all;(b) the pattern of utilization of micro loans by the beneficiaries is not up to the mark due to the basic problems of unskilledness, ignorance, illiteracy and extravagance.

It is found that the two banks of Duliajan and Naharkatia town have been providing micro finance against (a) growing crops like paddy, oilseeds, vegetables etc (b) purchasing of capital equipments and (c) opening up allied occupational activities like farming of piggery, cattle, fishery, small tea plantation etc. However, the sample beneficiaries are found to have been satisfied with agricultural loans for growing paddy and vegetables only and among them, a very few i.e. 10 beneficiaries are taking loans for purchasing capital equipments. Since, majority of the farmers possess a very small and limited size of landholdings and live merely from hand to mouth. It is also found that the utilization of the crop loans as well as loans for purchasing capital equipments received during the two years from the sample banks by the borrowers are meeting desired benefits.

As to the rates of interest, it is exposed that the banks have not charged much from the borrowers. But the concerning PACSs are entitled to charge 1% to 2% over the rate of the banks and this additional charge of the PACSs is for meeting some expenses of the PACSs arising out of the maintenance of some financial records, as all these are governments affiliated and limited entities for the beneficiaries. However, it may seem a bit higher according to them.

The study also reveals that borrowers are rather sincere enough in responding to the recovery performances of the banks, as because, more than 37% of loans have been recovered and the process of recovery in various ways is going on. A few borrowers who have not yet repaid at all are making preparations for pay their debts.

The study further reveals that borrowers, as a whole, have been the victims of variety of problems. Some problems cannot be eliminated, but their magnitude may be reduced to some extent. For example, draught may be fought efficiently through irrigation facilities. At any rate, the borrowers are not harassed by the banks to repay loans in time of their distress. That is why the recovery performances are not so satisfactory.

The study further reveals that motivation, awareness etc. of the banks is below the desired level. PACSs must be brought forward to join hands with the banks at all costs.

Co-operative banks are after all friends in need for the marginal farmers. They are getting financial assistance from these banks when other formal financial institutions are unapproachable due to lack of collaterals. So, these banks ought to be appreciated for extending financial assistance to these people in their urgent need. But the policy of the banks ought to be made appropriate to the need of time and circumstance. The government of Assam ought to be highly vigilant to the future of these farmers. The intermediaries and the local rich people should not be given any opportunity to exploit the farmers. For this purpose co-operative banks like Duliajan and Naharkatia must be invigorated by the patronage of the government. The beneficiaries also should be highly

devoted to their economic activities so that they may be able to repay their debts without giving any trouble to the banks. They should pave the way for recycling the loans by the banks for further benefit of the beneficiaries.

We are convinced from this study that if the three (i.e., the government, banks and borrowers) are tied for a single purpose; the outcome from this unity shall be more and more inspiring.

We observe from the study that in this part of Assam particularly in the district of Dibrugarh, the villagers can do a lot of services other than whatever they are now pursuing as occupations with the help of some micro loans accessible from cooperative banks. While visiting the sampling area under the two sample co-operative bank branches i.e., Duliajan and Naharkatia, we have found that there are a great number of rural poor people who are left untouched even if they have individual land holding certificates of their own and those rural poor who have no individual lands but have common land holding certificates among the family members. Such individual land holders or family members are yet to have financial assistance from any banks. They are unable to improve economic conditions alone without having financial benefits from any source. The co-operative banks in this regard, can find out ways and means to extend financial helps although, in small quantities to such people to start any productive activities for their economic wellbeing. Several existing works can be rejuvenated through the assistance of the banks. Government agencies may come forward and sort out plans and programmes in selected villages in favour of this poorer.

Villagers, who are now under the sample banks (and PACSs) used to rear three species of silk worms locally called *Endi*, *Muga* and *pat* almost in every family. These silk worms (cocoons) have been reared and thereafter extracted silk yarns from them for the production of *eri*, *muga* and *pat* clothes which are able to attain importance in national and international markets now-a-days. These farms can be re-energized with the support of micro credits from the cooperative banks. Trees like mulberry, castor, *kecheru*, *soom* and *sualu* needed for rearing cocoons can be easily raised to extensive areas due to suitability of soil conditions. Poor and helpless farmers who have common *patta* of land holdings in the family may be attracted for this venture.

Assam is a land where various citrus fruits are produced and also demanded. Because of the soil acidic in nature, various citrus plants are easily grown there. So, fruits preservation and processing activities may be opened locally by the rural poor at a minimum cost with the help of small loans.

Production of marmalad (Jam), pickles etc. from various citrus fruits like mango, *Amara* (hogplum) olive, lemon, *Amlakhi* etc. available locally may also be a source of earnings for the helpless villagers because, they have a large market demand. Trees of that kind can be easily grown. Rural people can do such businesses with or without land of their own at a minimum investment. They may be provided with smaller credits to take such ventures through cooperative banks.

Sugarcane cultivation and processing is another cost-less occupation and is an easy earning source for the poor. Co-operative banks may come forward to extend micro credit to them. Because, most of the families we investigated have some clump sugarcane plantations. If they are inspired, they can utilize a small plot of land for sugarcane plantation. Marginal farmers can collect and stock in huge amount the stubbles (lower ends of corn stalks) left in the ground after harvesting of crops at a minimum cost and utilize it in the making of

fodder. Cattle generally cannot eat all in such a state and as such stubbles remain useless only to be rotten down. Fodder making instruments may be bought and applied here with the support of co-operative banks and may earn income for livelihood. Of course, the GOs and NGOs can play an active role in this direction.

The local indigenous ponds/fisheries can be improved and updated with the preservation and production of local fishes which are going to be disappeared due to lack of patronage of concerning authority and even government. These species must be saved from extinction because such fishes can easily flourish and can be reared in a very small pond. Poor villagers ought to be inspired to produce and supply such local varieties which face high demand compared to imported ones from other states.

Small loans may also be provided for setting up bakeries which can meet demand not only in the rural areas but some people in the urban areas as well.

The number of SHGs (Self-help groups) can be enhanced much by the co-operative banks in rural areas. Especially, many more women SHGs can be formed with some dedicated young girls and women. For this many SHGs-bank linkage programmes may be conspicuously publicized among the unemployed youths in the areas by the cooperative banks and other financial institutions.

Besides all, many supplementary job-oriented/self-employed activities may be commissioned for the rural people. It just requires a sincere co-operation and commitment among related agencies (GOs and NGOs) and particularly awareness on the part of the banks is highly essential because this will inspire the rural people to do more and more for the benefit of their own. In this respect, our sample co-operative banks must try their level best to follow the policies and programmes for the interest of sides, the banks and the borrowers. The PACSs under the banks must be made efficient to work more for rural people and these initiatives ought to be taken by the banks at all costs.

Prof. Yunus' Gramin Bikash model is an appropriate lesson to all concerned for the successful implementation of the micro credit system of the rural banks in general and the Cooperative Banks in Assam in particular.

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ISBN 13:
978-81-922880-5-5

Price : ₹ 100/-