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Rural Credit System and Its Need and Importance Towards The Development of Agricultural Sector in Assam: Policies and Practices.

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Abstract
Credit is the backbone of any development process and it is the essential requirement for the development of agriculture sector in Assam. Assam is mainly a agrarian economy and most of the inhabitant in rural areas are depend on agriculture. Credit in rural areas are provided by both institutional and non-institutional sources. But due to many problems such as rural indebtedness, lack of institutional facilities, lack of awareness among rural people etc. agricultural sector in Assam is still lagging behind in respect of getting adequate credit facilities. This paper tries to study the need and importance of rural credit system towards the development of agriculture sector in Assam. Also it highlights the problems faced by the agricultural sector in getting rural credit. It also try to give some recommendations for the future development of credit facilities towards agricultural sector.

Introduction:
Credit is the backbone of any development process. Adequate and proper credit facilities can do excellent job towards the economic development of a state or a nation. Assam is a beautiful state which is endowed with lots of precious natural resources with beautiful environment and it has lots of opportunities to become one of the developed state in India. Therefore proper policies and its practices is very much important in this regard. Assam economy is mainly an agrarian economy and its inhabitants in rural areas are mainly depends on agriculture. Assam is still heavily depend on agriculture sector and in such a situation, rural credit facilities plays an important role to realise the goals in agricultural sector. Over 70% of the state population relies on agriculture for their livelihood. To support these village farmers , credit facilities has been providing in the state by different institutional organisation and also non -institutional sources. From the very beginning the prime source of agricultural credit in Assam was money lenders. After independence the govt. adopted the institutional credit source through various agencies like Co-Operatives, Commercial Banks, Regional Rural Banks etc .To provide adequate credit to farmers at a cheaper rate of interest. Moreover, with growing modernisation of agriculture during post- reforms period, the requirement of agricultural credit has increased further in recent years. Although priority sector agricultural sector constitute 18.5 % to total bank credit. Therefore govt. should take proper and adequate measures to improve the credit facilities in the state.

Objectives: Main objectives of this paper are-

1. To study the importance of credit facilities provided in rural areas for the development in agricultural sector in Assam and its effectiveness.
2. To study about the problems faced by the agriculture sector in getting adequate credit facilities.

Methodology:

The study is based on secondary data and descriptive and analytical methods have been used to analyse the data. Sources of data are different books, national and international journals, statistics provided by the Directorate of Economics and Statistics, Govt. of Assam, NABARD focus paper, Reports of the State Level Bankers Committee (SLBC) etc. Statistical tables and figures are used to represent different data.

Rural credit system and its importance towards the development of agricultural sector in Assam: An analysis -

Though any developmental plan of the state needs to have agriculture as its main focus, it should be noted that the contribution of this sector to the Net State Domestic Product has been gradually declining year after year. Agriculture sector in Assam has been confronting several problems and state govt. undertakes many policies to achieve self reliance and rural prosperity through diversification, modernisation, development of irrigation, etc. Credit is an important ingredient for the revitalization of agricultural sector in Assam. Although priority sector, agricultural credit constitute 18.5% to total bank credit. Credit flows to agriculture and allied activities from 2017 to 2021 can be shown as follows-

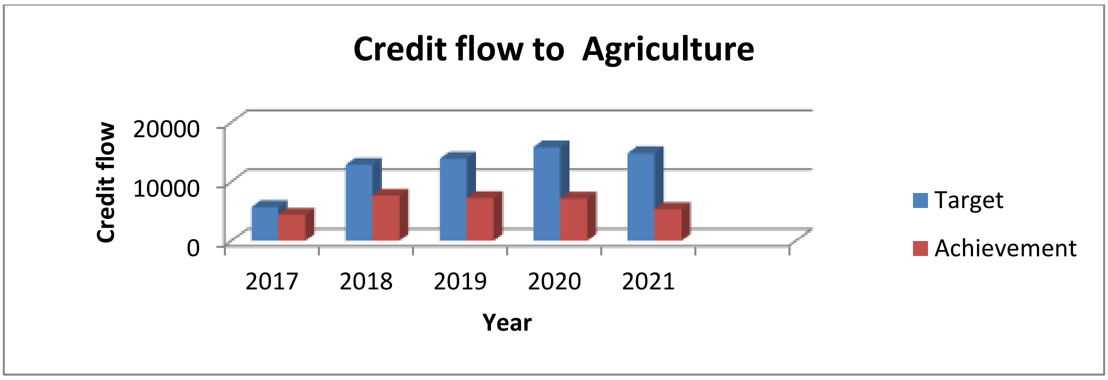
Table-1

Credit flow in Agriculture	Year				
	2017	2018	2019	2020	2021
Target	5710	12847	13868	15758	14775
Achievement	4408	7592	7192	7119	5373
% of achievement	77%	59%	52%	45%	37%

Source: Report of State Level Bankers Committee (SLBC), Assam

From the above table it is clear that though the target rate of credit flow in Agriculture has been increasing since 2017, yet rate of achievement has been decreasing over time which indicates lower credit flows in this sector. The above table can be represent with the help of a diagram-

Figure-1



Rural credits are mainly provided by both institutional and non-institutional sources. These can be briefly summarised as follows-

A. <u>Institutional sources</u>: One of the landmark in respect of rural credit is the setting up of the National Bank of Agriculture and Rural Development (NABARD) in 1982. NABARD does not help the farmers and other rural people directly rather it flows the credit to these people through co-operatives banks, commercial banks (CBs), regional rural banks (RRBs) etc. As credit is a critical input for agricultural development, the policy initiatives by NABARD during the last few years focussed on augmenting and smoothening the flow of ground level credit for rural development. As an apex institution, NABARD has been constantly endeavouring to provide various technical and developmental support for accelerating and smoothening the flow of credit to the rural sector in Assam. It provides refinance facilities at concessional rates of interest to Commercial Banks, Regional Rural Banks and Cooperative Banks against their on-lending to agriculture, allied activities and NFS activities.

Another important source of institutional rural credit are co-operatives banks. These banks are the cheapest and the best source of rural credit. The co-operative credit societies have come in a big way to meet the credit requirements in the rural sector. Assam is having a two tier co-operative structure with Gaon Panchayat Samabay Samity (GPSS) at the primary level and the Assam co-operative apex bank limited at the state level to cater the needs of short term and medium term credit of the farmer. The amount of rural credit through co-operative credit societies has been increasing. After nationalisation of 14 commercial banks in July 1969 and introduction of Lead Bank Scheme, there has been noticeable expansion of bank offices in the state and as a result credit facilities also increases in the state. Although banking institutions are the important source of rural credit, yet banking facilities are still inadequate in Assam and these are mostly confined to urban and semi-urban areas.

B. <u>Non-institutional sources</u>: Non- institutional sources of rural credit for agricultural development in Assam are private money lenders, professionals and non-professionals, who plays predominant role in rural finance. In spite of legislation for controlling the unlawful activities of the money lenders, expansion of banking institution and co-operative credit societies and various financial agencies are established, still money lenders continue to be the most important source of credit particularly in rural areas. Money lenders charges higher rate of interest from the farmers and thus exploit the village farmers. But still these non-institutional sources of credit in rural areas is much more popular then the institutional sources.

Agricultural credit and Govt. initiatives:

In order to accelerate the credit facilities in rural areas , govt has initiated different policies which can be summarised as follows-

Agricultural Debt Waiver and Debt Relief scheme: The union minister in 2008-09 announced a debt waiver scheme for three crore marginal and small farmers and debt relief by means of "one time settlement" for one crore other farmers in India. The scheme covered direct agricultural loans extended to marginal and small farmers and other farmers by scheduled commercial banks, RRBs and co-operative credit institutions and Local Area Banks. This scheme benefited around 2.40 lakh farmers in Assam.

Govt. of Assam's 2% interest subvention scheme: In view of severe drought like situation experienced in the state in 2006-07, govt. of Assam in consultation with NABARD prepared a scheme to provide 2% interest relief to the farmers availing crop loans from banks. NABARD was designated as implementing agency. During the period 2006-2008, 173772 borrowers were provided with interest relief which helps the farmers in getting loans at a cheaper rate.

Financing under Kissan Credit Card scheme: The govt. of India initiated this scheme in 1998-99 to cater adequate, timely, cost effective and hassle free credit support to the farmers from the formal banking system. The Directorate of Agriculture, Assam during the period 2001-02 to 2020-21 has issued 37 lakh KCCs and sanctioned Rs.15437.03 crore as credit. The various banks in the State, have issued 10.85 lakh KCCs and the loan outstanding was Rs.6012.10 crore as on 31 March 2022. Status of KCC issued during 2020-21 are as follows-

Table-4

Agency wise KCC Issued during 2020-21

Agency	Nos.	Amount (Rs. in Crores)
Public sector banks	100613	735.92
Private banks	6284	52.59
RRB	20908	111.61
State co-operative bank	328	11.15
Total	**128133**	**911.27**

Source: SLBC (State Level Bankers Committee), Assam

4) SHG-Bank linkage programme by NABARD: NABARD lunched self-help group (SHG)-bank linkage programme in 1992 in Assam. It is a thrift based programme . This programme is thrift, credit and other financial services and product of very small amounts in rural ,semi urban and urban areas. During the year 2004-05 an amount of Rs. 809.24 lakh has been disbursed by banks in Assam to 4652 SHGs. Status of SHGs- Bank linkage during 2021 has been shown below-

Table-5

Status of SHGs-Bank linkage (Agency wise position in Assam, 2021)

Bank/Agency	Savings (Rs. in crore)		Loan outstanding(In crore)	
	No. of SHGs	Amount	No. of SHGs	Amount
CBs	172102	233.72	53396	429.19
RRB	296269	302.53	73035	679.42
SCB	26499	2.87	909	14.85
Total	494870	539.12	127340	1123.46

Source: NABARD (Status of Micro-Finance in India, 2020-21) and SLBC, Assam

In Assam, as on 31 March 2021, the total number of SHGs having savings bank accounts with various banks stood at 4.95 lakh with thrift & deposits of about Rs.539.13 crore. The bank loan disbursed to SHGs during 2020-21 stood at Rs.802.03 crore and the total loan outstanding was Rs.1123.46 crore covering 1.27 lakh SHGs. Also the total savings by SHGs stood at Rs. 539.12 crores reflecting increasing banking habits by the SHGs.

Thus govt. has initiated different schemes in order to provide cheaper credit facilities to the rural farmers in order to accelerate agricultural productivity in the state.

From the above discussion it can be seen that rural credit structure has to play an active role in transforming the rural economy of the state. As agriculture is the main source of livelihood in rural areas, therefore rural credit plays an important role towards the development of agriculture. Farmers in rural areas have not so much of capital of their own and for them credit become the main source of enhancing agriculture production and productivity.

Problems in getting adequate credit facilities by agricultural sector:

Although there are lots of credit facilities available for agricultural sector in rural areas, yet there are some problems faced by this sector in getting adequate credit facilities. Some of these are as follows-

1. **Rural indebtedness**: One of the important problem is that there is considerable burden of rural indebtedness in rural areas. Growth of population and stagnation of rural productivity with limited employment opportunities are sure to lead greater indebtedness. The reason is that , there is extreme poverty in rural areas in Assam . In order to meet their requirement village farmers borrow huge amount of money from different credit sources but they are not in a position to repay their loans in time . As a result village farmers and labourers are no longer able to take more loans for further development in agriculture and allied activities.
2. **Lake of institutional support**: Assam and north-east region has been suffering from lake of institutional support in respect of flow of rural credit. The agriculture and other allied activities in the vast rural areas in Assam have been very badly neglected by the national scheduled and commercial banks in the field of credit advancement. Most of the bank branches are located in semi-urban and urban areas. Therefore village farmers are not able to get adequate credit facilities from institutional sources and they have to depend mainly on village money lenders to get their necessary agricultural and other credit at a higher interest rates.
3. **Lack of awareness regarding credit facilities in rural area**: Another problem related to rural credit towards agricultural development is lack of proper knowledge and awareness among village farmers regarding rural credit facilities in Assam. Most of the village farmers are not properly educated and therefore they remain unaware regarding the available credit facilities from which they can be benefited. As a result farmers mainly depends on village money lenders who provide credit at a much higher rate and exploit them.

As a result of such problems, agricultural sector are not able to get adequate credit facilities in rural areas in Assam which hamper the proper growth in agricultural sector in the state.

Findings of the study:

From the ongoing analysis, some important point can be short out which can be given as follows-

1. Agriculture is the main source of livelihood in rural areas in Assam and nearly 70% of the rural people depends on agriculture.
2. Credit is the most essential requirement for the all round development of agricultural sector in rural areas in Assam.
3. Credits are provided by both institutional and non- sources.
4. Achievement rate of credit flow to agriculture is much more lower than the target rate.
5. NABARD is the apex agency of disbursing institutional credit who provide credit facilities to farmers and agricultural labourers not directly but through RRBs, co-operative banks, commercial banks etc.

6. Money lenders occupies the dominant place regarding agricultural credit in Assam.
7. Rural indebtedness is the main problem in getting adequate credit because due to excessive burden of debt, agricultural farmers are not in a position to get credit facilities as they are already overburdened by debt.
8. Banks are mainly located in semi-urban and urban areas rather then in rural areas. Therefore farmers find it difficult in getting adequate agricultural credit and also they remain unaware about different credit schemes undertaken by the govt.

Conclusion:

From the ongoing analysis it can be conclude that rural credit system is very much important regarding the agricultural development in Assam. But agricultural credit in Assam is still very inadequate as it has been facing many problems such as rural indebtedness, lack of institutional set up in rural areas, lack of awareness of the farmers etc. which hamper in getting proper credit for agricultural development. Therefore in order to boost agricultural credit facilities in rural areas in Assam, new policies and schemes and its implementation should be ensure by the government. To make agricultural credit more reliable and feasible for the rural farmers in Assam, awareness about the available credit facilities should be made among the rural people so that they can easily grab the fruits of such facilities. Also branches of different banks should be set up in rural areas so that rural people can reach the bank facilities easily and rate of interest should be reduced so as to make credit less burdensome for the rural farmers. Then only the credit facilities can boost the overall growth in agriculture.

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