

COMMERCIAL BANKS

03

Omeo Kumar Das Institute of
Social Change and Development
Guwahati : Assam

Saswati Choudhury

**INTRA REGIONAL DISPARITY IN NORTH EAST INDIA :
COMMERCIAL BANKS**

Saswati Choudhury*

**Omeo Kumar Das Institute of Social Change and Development
Guwahati, Assam**

WORKING PAPER SERIES of
OKDISCD
Guwahati, Assam, India.

WP No. 03

First Published:
August, 2004

Published by:
Omeo Kumar Das Institute of Social Change and Development
39, Sapta Swahid Path, Dispur, Guwahati, Assam
E-mail: dkdscd@yahoo.co.in;
Website: www.okdiscd.org; www.okdiscd.net

© OKDISCD, 2004.

Price: Rs. 40/-

Printed at:
Everywhere, Dispur, Guwahati-6
Cell: 98640-82516
E-mail: everywhere_ghy@yahoo.co.in

A NOTE

This work is an offshoot from a larger work on the banking sector in the north east region. The project titled “Causality behaviour in income growth and credit flow of commercial banks-Experiences in north east India vis-à-vis the national scenario” is under study under the Institute’s own project fund. The analysis and arguments presented here have been derived from preliminary stages of the study. The ideas developed here require more analysis before deriving a conclusion. It has been presented for larger academic debate and inputs from scholars.

7th August, 2004
Guwahati

Saswati Choudhury
Lecturer
Omeo Kumar Das Institute of Social
Change and Development.

INTRA REGIONAL DISPARITY IN NORTH EAST INDIA : COMMERCIAL BANKS

INTRODUCTION

Regional disparities in economic development are a ubiquitous phenomenon across both developed and developing countries. Disparities inter regional and intra- regional is partly due to resource endowments and partly due to policy framework and execution. There exist pockets of highly developed centres in a country with poor resource endowment as much as there are very underdeveloped areas in countries with strong resource endowments. The common understanding on disparity initially upheld the view that disparity in income level across countries or within regions in a country was the main cause for differences in other aspects of the socio-economic structure. Per capita income was taken as the single most important indicator of disparity. However, with the passage of time the study on regional disparity revealed that income by itself is not a sufficient measure of disparity- rather it is often misleading. It is seen that mere income level do not portray the real picture – e.g. a high per capita income and a high inflation rate means low real income and hence low disposable income at hand, on the other hand a low money income with no inflation means a higher real income. Increasingly other indicators like per capita food consumption; per capita calorie intake, per capita consumption expenditure, per capita savings and investment, index of infrastructure etc. have been used by researchers to study disparity in economic and other social sectors.

In the Indian context, studies on regional disparity have used various indicators focusing on several socio-economic dimensions. Not to speak of the high incidence of inter-regional disparity, there also exists intra-regional disparity within the regions themselves. While the northern and the western regions of the country are fairly developed, the eastern region especially the north-eastern region remains the most backward. Not only that the north east is less developed than the rest of the regions of the country, there is also intra-regional disparity among its constituent states.

The growth and development of a country and its constituent regions or states is induced by the amount of investment in physical capital financed by the savings of the community and the borrowings from capital market. Significantly the financial parameters have gained in usage in measuring disparity level among the countries or regions of a country. Theoretical postulation of the relation between income,

savings and investment can be symbolically written as $S = f(y)$, i.e. savings is a function of income and $MPS < 1$; i.e. with every increase in income the rate of increase in savings will be less than proportionate increase in the income. Further, the increased savings act as the reserve of investible resource and the same is canalised for investment purpose either by the financial institutions like the commercial banks or the term lending institutions or through the developed capital market. With liberalization, the Indian economy has been able to find an exigency to raise resources from the capital market. In the developed states of Maharashtra, Andhra Pradesh, Karnataka, the active capital market has been instrumental in attracting foreign direct investment (FDI). However, the same is not true in case of the underdeveloped states like Bihar, Orissa and the states of the north eastern region where the capital market is still in its nascent stage. Here, the commercial banks act as the main conduits for financial intermediation by augmenting the savings of the community by way of deposits and canalising the same for investment by way of credit. Incidentally, these underdeveloped regions/states are also marked by presence of high growth centres vis-a vis backward areas and therefore, intra regional disparity is a more critical ailment than inter regional disparity.

MAJOR CONTEXTUAL CHARACTERISTICS OF NORTH EAST INDIA

Lying between 21.57°N–29.30°N latitude and 89.46°E–97.30°E longitude the north eastern region of India comprises the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura. At the time of India's independence in 1947, all the tribal areas of the region excepting Manipur and Tripura were within the state of Assam. Arunachal Pradesh then known as NEFA, had a separate arrangement, it was kept as an Agency, and centrally administered. However, with the passage of time demand for separate statehood from different tribal groups viz. the Nagas, Khasis and Jaintias and the Mizos led to the emergence, first of Nagaland as a state in 1964 and subsequently of Meghalaya as a state and Mizoram and NEFA (renamed as Arunachal Pradesh) as Union territories in 1972. The region continued with this set up for a long time until in 1987 both Arunachal Pradesh and Mizoram were declared as states of the Indian Union. Of late Sikkim has also been included in the political set up of the region. However, the present analysis covers only the seven states of the region excluding Sikkim.

The region embraces a total area of 2.55 lakhs square kilometer (7.8 percent of the total land space of the country) of which 70 percent is hilly terrain. The north eastern part of India has considerably large international boundary with China in the north, Bangladesh in the south west, Bhutan in the northwest and Myanmar in the east. The Macmohan line separates the region from Tibet.

The partition of the country in 1947 broke the natural and age old linkages with rest

of the country and this land locked region is virtually cut off from rest of India except through a narrow corridor in the north Bengal having an approximate width of 33 km. on the eastern side and 21 km. on the western side. This narrow corridor is popularly known as the 'Chicken's neck' or the 'Siliguri neck'.

The socio economic and political settings of the north eastern region bear direct linkages and fit in the order where the tribal form of society and economy occupy the vantage positions. The topography, geology and the other natural settings of the region have endowed it with considerable natural resources. The total forest reserve in the region stands at 11, 685 thousand hectares; Arunachal Pradesh has the largest forest reserve of 5154 thousand hectares while Manipur has the lowest forest area of 602 thousand hectares in the region. The crude oil reserves in the Assam oil fields stands higher than the Gujarat oil fields and the region also has the largest reservoir of natural gas among the onshore bases. The coal reserves are found in the states of Arunachal Pradesh, Assam, Meghalaya and Nagaland. The entire economic activities and growth impulses in the region find their base in these natural resources

The region is marked by diversity in its demographic composition as well. While the Hindus are the majority in the three states of Assam, Tripura and Manipur, Christians are the dominant majority in the hill states. According to 2001 census, the population of the region is 38.50 crores. The region supports 3.75 percent of the total population of the country. The land-man ratio of the region (0.66 ha/person) is twice the ratio of the national level (0.32 ha/person) and the population density of the region (151 person/sq.km) is less than the national average (324 persons/sq.km). Among the seven states of the region Assam has population density of 340 persons per sq. km. which is higher than the all India figure of 324 persons per sq. km. Next to Assam, Tripura is the most densely populated state in the region. Other hill states are sparsely populated. Arunachal Pradesh which has the largest land area among the states of the region accounts for the lowest density of population (13 persons per sq. km. as per the 2001 census). The decadal growth rate of population in the region has also been significantly higher (22.16 percent) compared to the all-India average of 21.34 percent during the decade 1991-2001. The overwhelmingly large rural population accounts for 88 percent of the aggregate as against the all India figure of 75 percent.

ECONOMIC BASE OF THE REGION:

Despite the fact that north east region has the highest per capita availability of natural resources, it is one of the most economically backward regions of the country. The process of development in the region is affected by the three tier macro planning- Central plans, the plans of the States and the plans of the North Eastern Council (NEC).

The region as a whole is industrially backward with the net result that pressure on agriculture is very high since off farm employment opportunities are still latent and have not been effectively harnessed. The economy of north east India is agrarian in character. However agriculture is still in its traditional phase with labour intensive methods and low capital investment. The primary sector comprising agriculture and mining and quarrying contribute almost 35 percent of the total net domestic product (NSDP) of the region which is significantly higher than the national figure of 28.78 percent over the last decade. The contribution of the secondary sector comprising manufacturing, construction and gas and electricity supply which provide the basic capital base of the economy hinges around 18 percent compared to the national average of 28.20 percent. The tertiary sector which accounts for all the other sectors of the economy not included in the primary and secondary sector contribute 47 percent to the region's NSDP which is again higher than the all-India figure of 43.02 percent.

It is important to note that contribution of the public administration has been growing over the last decade and accounts for almost 10 percent to 16 percent of the NSDP. Another significant growth has been in the sphere of construction. However, in the absence of a strong industrial base the growth of the construction sector presents a paradoxical situation. One plausible explanation for this surge in the construction sector is perhaps the growth of service sector and the real estates across all the states of the region. This growth of construction sector has its impact in inducing cheap labour flow from the disguisedly employed labour force in agriculture to the urban centres where the construction activities are localised.

The pace of industrialization in the region is virtually yet to take off. Assam takes pride in the fact that the first oil refinery of the country was set up in Digboi. But the petroleum industry in the region has been performing at a considerably lower level than those in other parts of the country. Despite the fact that the crude oil reserves in the Assam oil fields (160390 thousand tones) stands higher than the Gujarat oil fields (148020 thousand tones) the production of oil is however higher in the Gujarat oil fields.

As revealed by the CMIE statistics on Energy (2003), the production of crude oil in Assam fields has not only been below the Gujarat oil fields but has also been declining over the years. The total production of crude oil which stood at 5096 thousand tones for Assam and 27 thousand tones for Arunachal Pradesh in 2001-02 decreased to 4717 thousand tones in 2002-03. It needs to be mentioned that the total production in the Assam oil fields included the figures for Arunachal Pradesh as well. The corresponding figures for the Gujarat oil fields indicate that the production level which stood at 5972 thousand tones in 2001-02 increased to 6017 thousand tones. The statistics on the capacity utilization of the oil refineries from the same source

reveal a relatively low level of capacity utilization compared to other refineries in the countries. The figures indicate that the capacity utilization in Guwahati refinery was less than fifty percent hovering at 45.9 percent in 2002-03.

The low capacity utilization coupled with declining production is indicative of a decelerating growth process in the most vital industrial sector in the economy of the region. The region which also has the largest reservoir of natural gas among the onshore bases is plagued by low production level.

The manufacturing sector comprising the small scale industries (SSI) are basically of low capital intensity. Further, as revealed from research studies, the SSI sector in the region is plagued by sickness which is again due to faulty planning of unviable project and lack of marketing network in the region. Not to blame the government policies always, most of the SSI units in the region have been set up under different government programmes by the first generation entrepreneurs whose lack of experience and skill especially in financial management of the projects have spelt doom for the sector. Besides, lack of foresight in identifying the market and its absorption of the products have been the other bane of the sector. Nevertheless, the North East Industrial Policy (NEIP) of 1997 has been a major boost to the growth of industrial activities in the region. Further the tax holiday on industrial production in the region has been yet another major incentive. As per the NEDFi estimates a total of 461 medium and large units with capital formation of Rs. 997 crores have been implemented after the declaration of the NEIP 1997. However, most of these units are concentrated in Assam and Meghalaya as the communication and transport connectivity in the region is very tardy.

Cottage, handloom and handicraft, sericulture comprises the other avenues of small scale industrial activities in the region which employ a substantial proportion of the rural work force including women. Some of the handloom products of the region which are known for their excellent craftsmanship are carpets of Arunachal Pradesh, muga silk products of Assam, lashingphee of Manipur and shawls of Nagaland and Mizoram. However except for muga silk of Assam, the other handloom products have not been commercially exploited. The muga and the pat silk of Assam has found increasing and extensive uses in the fashion and designing craft in rest of the country in recent years. The traditional motifs and the hand woven materials of the other states need to be commercially exploited as these too have a wide scope for market. It may be noted here that the traditional motifs of these tribal areas are being extensively used by textile producers outside the region and sold in the region's market which has captured sizeable market share. This is so because the hand spun yarns have higher production costs and the finished products are priced still higher. Under the circumstance the machine made products have a lower price and economy rate of production. It is here that the government policies have failed till date to

address the real commercial requirement and sustainability of the sector which could have created avenues of additional rural employment and released the disguised labour force in the agriculture sector.

Thought the region has diversified agro-climatic and soil conditions nevertheless the agricultural activity in the region is marked by mono cropping, shifting (*jhum*) cultivation of duration of 2-10 years with low productivity. In a nutshell subsistence farming dominates the agriculture sector in the region. The overwhelmingly large areas of small size of holdings (below one hectare) dominate the size pattern of the agricultural farm lands. Coupled with this, low per capita fertilizer consumption, low availability of irrigation facilities, soil erosion during monsoons particularly in the hills and the recurring floods in the Brahmaputra and the Barak valley which wash away standing kharif crops have wrecked havoc with the agricultural production in the region. Further the orography of the north east region is such that both the Bay of Bengal and the Arabian Sea branches of the south west monsoon winds meet over it, causing heavy rainfall almost for six months of the year and rendering the region one of the wettest in the world. But the region remains bereft of rainfall or dry for the other six months. Thus, the woes of farmers in the kharif season abound in floods and soil erosion, while the rabi crops suffer due to poor irrigation facilities in the region which faces acute water shortage during the winter months. According to the National Flood Commission (NFC), the area prone to floods stands at 31.60 lakh hectares compared to the all-India figure of 335.16 lakh hectares accounting for 9.4 percent of the total flood prone areas in the country. As observed in one of the Assam Government documents, "As a result (of such a vast area prone to be effected by floods), the State could not march towards desired progress and prosperity despite having enormous natural resources." Another statistic of the Revenue Department, Government of Assam shows that in 2002 Assam's estimated loss of property, including land due to erosion was put at Rs.72.43 crores. The overall damage to the public utilities by floods during the same year has been estimated at Rs.566.24 crores. The same source indicated that damage of public properties in the year 1998 was Rs. 829.5 crores and in the year 2000 the same was Rs.540.6 crores. The total area eroded by the river during 1999 was estimated to be 9.837 hectares while the corresponding figure for 2002 puts it at 4,29,657 hectares. These statistics clearly indicate the havoc created by the floods in Assam and the irreparable damage to the standing crops and agricultural produce as also the properties of the people. The paucity of funds has rendered the task of construction of embankments a difficult proposition, the net result of which has been a recurring loss to the state economy in terms of value added output and rehabilitation of the displaced persons effected by floods. While temporary displacement is one aspect, the permanent displacement in areas of Dhemaji, Morigaon, Sonitpur, Nalbari and Dhubri due to total washing away of the landmass in settled areas by Brahmaputra has left thousands of families in total penury and also reducing the cultivable area in the state. Given this state of affairs it

is obvious that any farmer who borrows from a bank for his production requirement will obviously be a defaulter in the event of total wash away of his standing crops by the flood waters. The bankers cannot be blamed if they become cautious of lending in the next kharif season because banks are also business entities and to run a profitable business returns are must for next recycling of funds. The poor farmer too cannot be blamed because vagaries of nature are beyond his control. The problems here in northeast are not simple. The problems are as diversified as the natural cultural settings of the region in the bank finance. Besides the absence of social security measures often compel the farmers to divert their production loans funds towards emergent needs.

As per the estimates of Ministry of Agriculture and Cooperation, government of India, 1998-99, the total cultivable land in the region is 6043 thousand hectares (23.69 percent). The percentage of cultivable area used in the north east is 63.79 percent which is significantly lower than the all-India average of 73.23 percent. However, states like Tripura (90.94 percent), Manipur (85.37 percent) and Assam (79.24 percent) have higher percentage utilization than the national average. On the other hand states like Meghalaya (20.15 percent) and Mizoram (24.44 percent) have very low level of land utilization in the region. In so far as the settled agriculture is concerned the data indicates that the average size of holding was 1.60 hectares in 1990-91 in the north east compared to the national average of 1.57 hectares. However, average size of holding for the majority of the states like Assam, Manipur, Mizoram and Tripura are lower than the national average. Given the low rate of land utilization, credit recycling cannot be expected to grow.

The predominance of marginal holdings has been major hindrances in up scaling agricultural production and recycling of funds. In northeast India, where land is the main source of livelihood in the rural areas, NSS 50th and 55th Round data indicate gradual increase in the proportion of rural households without any cultivable land during the period 1993-94 to 1999-2000. However, in case of Manipur and Meghalaya, the same NSS data indicate that there has been significant decrease in the proportion of households without cultivable land in the post liberalization era but this increase in the proportion of households with cultivable land in the two states has not led to an increase in credit flow from the commercial banks during the period 1999-2000. The figures for bank credit shows that the percentage of bank credit to agriculture has decreased in both the states in the post liberalization era. There may be two reasons for this-one, though the percentage of households with cultivable land has increased in both the states, the size of these holdings might be small which again has a direct bearing on the accessibility to bank credit; second, even if the holding sizes are large the information asymmetry between the 'new prospective borrowers' and the commercial banks lead to certain pruning of credit by the bankers.

On the contrary, in the states of Nagaland and Arunachal Pradesh, despite an increase in the number of households without cultivable land, the flow of bank credit to agriculture has increased. While the adoption of Agricultural Policy by the Arunachal Pradesh government in the state has primarily led to gradual increase in the credit flow to the sector, in Nagaland, the promotion of plantation agriculture has led to an increase in credit flow to the sector.

However, the situation is alarming in case of Assam and Tripura where the increase in the proportion of households without cultivable land has been very high (36 and 58 percent respectively) which implies that people who had hitherto been cultivators have either become agricultural labourers, perhaps in their previously owned land now in possession of others or shifted to some non farm activities (Table:20). This has a bearing on the indebtedness of the rural households. First, this reduces the capacity of the rural households to obtain credit from formal institutions and in turn induces the rural households to go to the usurious moneylenders and other informal sources to obtain credit and meet their requirement.

As mentioned earlier shifting (*jhum*) cultivation is very much prevalent and forms a part of the socio cultural life of the hill people. As per the NEC statistics 1995, the total land area under shifting cultivation is 3.86 lakh hectares where a total number of 4.23 lakhs families are dependent for their living. Can banks be expected to intervene in this area? Under the existing system banks cannot do anything with respect to credit deployment in shifting cultivation. Hence unless the pluralistic structure of the region is understood in its proper perspective mere policy prescriptions cannot solve the problem of low credit flow.

NET STATE DOMESTIC PRODUCT (NSDP) & PER CAPITA INCOME (PCI)

State wise data on NSDP (Table: 1) reveals that NSDP of Assam is highest among all the north eastern States but the per capita income is the lowest. This variation in the NSDP and the PCI is due to the large size of the population wherein 69.20 percent of the region's total population is concentrated in Assam. It is significant to mention here that at the start of the first five year plan in 1951, the per capita income of undivided Assam (Rs.290.70) was higher than the all-India figure (Rs.246.00). Twenty years later in 1970-71 the per capita income of Assam (Rs.538.60) fell significantly below the national average (Rs.627.50).

The coefficient of variation of NSDP for the three periods under reference (Table: 1) though very high, however shows a decrease in 1999-2000 over its previous period. A careful analysis of the data on NSDP shows that excluding Assam, the other six states of the region can be broadly classified into two groups- first group comprising Arunachal Pradesh and Mizoram who have approximately the same level of NSDP

and the second group comprising the four states of Manipur, Meghalaya, Nagaland and Tripura. This disparity in respect of NSDP between Assam and the other six states is due to the size of the economic base of the states. The economic base of Assam is expanded compared to the other states of the region. The reasons are partly historical and partly geographical.

Of the total seven states in the region, five states were within the political and administrative domain of Assam till the mid sixties. The constituent population sizes in the new states are lower than that of Assam and hence the PCI in the states are also higher despite the NSDP being lower than that of Assam. Besides, most of the newly formed states are tribal societies which are self sufficient with lesser degree of urbanization and their traditional customs and laws govern their economic activities. As a result the process of commercialization is slow in the hill states. Cultural and political reasons apart, geographically, these states are hill states (almost 76 percent of the north east are hilly) with road communication as the only link. Any development initiative requires strong communication base – physical connectivity and other modes of communication. The north east region of India, despite having vast natural resources and diverse traditional craftsmanship, remoteness and poor transport and communication infrastructure has isolated the region from rest of country as well as global trade. Given the fact the region shares about eight percent of the total land area of the country, the share of surfaced road length which is approximately three percent reflects the low level of road transport development in the region where other means of transportation have limited scope of development due to its hilly contour. The relatively low level of road connectivity in the hill states of the region has been the single most important factor hindering the process of economic expansion. (Table: 2)

Rank ordering the states in groups in terms of their PCI, the three states viz. Arunachal Pradesh, Mizoram and Nagaland constitute the high income group, while Meghalaya and Manipur fall in the middle income group and Assam and Tripura comprise the low income group. The figures also reveal that in the high income group, the PCI increased on an average by 12 percent while in the middle order group the average increase is highest- 28 percent, for the period 1997-2000. In the low ranked group the average rate of increase is 24 percent. It is worth noting that the intra regional disparity is less pronounced with respect PCI vis-à-vis the NSDP. Also the disparity level has decreased over the years as indicated by the estimates of coefficient of variation, wherein it is seen that from 18.58 percent in 1997-98, the figure decreased to 13.17 percent in 2000. This decrease in the disparity level has been due to significant increase in per capita income level of the middle and lower income order states of Manipur, Meghalaya and Assam, Tripura.

While development expenditure from the government is one component for initiating the growth process, the role of financial institutions in engineering the pace of

growth by canalizing the investible resources to desired channels forms the core of financial intermediation. The north east region suffers from either absence or low level of investments from term lending institutions and commercial banks are the only financial intermediaries in the region. Though the expansion of banking services in terms of number of branches, volume of deposit and credit has been rather significant since nationalization nevertheless, there still exist disparities among the states of the region. The subsequent sections analyses this disparity in the deposit and credit growth of commercial banks in the region.

BASIC BANKING INDICATORS

The banking structure as a whole was very weak in North East India at the time of independence. The Government Treasuries operated the monetary transactions of the government. Due to dearth of adequate banking services in the region a few philanthropists of Assam started the Gauhati Bank in 1926 with branches in rural and urban areas of the state. However, due to mismanagement the bank faced closure and was merged with the Central Bank of India in 1988-89.

At the time of nationalization in 1969, the total numbers of bank branches in the region were 90 out of a total of 8262 branches in the country which is 1.09 percent and Assam accounted for 82 percent of the bank branches. Likewise, in respect of deposit and credit Assam had the higher share.

Thirty one years later, the situation has not changed much. Though the quantum of deposit mobilization and credit dispensation has increased, nevertheless the intra state disparity has not reduced. As revealed from Table-4, Assam alone accounted for 65 percent of the total bank branches in the region and 64 percent of the bank deposit while 73 percent of the total bank credit of the region was concentrated in Assam. Thus 69 percent of the total population living in Assam accounted for 73 percent of the total credit while 31 percent of the remaining population of the region shared 27 percent of the total bank credit. This shows that the per capita credit in Assam was higher than the other six states under reference. The low off take of credit in the other states of the region is due to the low rate of commercialisation and growth in the economy. It is worth noting that most of the credit flow in the region is in respect of directed credit programmes with the exception of Assam where bank schemes have also been financed. This is again due to the low level of - infrastructure, industrial base and traditional practice of agriculture in the region. However, on account of its competitive advantage in respect of political and socio-economic dimension, Assam has been able to extract the services better than the other states. However, the disturbed law and order situation which hampers the growth of business economy has affected the credit expansion in the region as well. Poor recovery by the banks is yet another factor which has led to credit squeeze.

PER CAPITA DEPOSIT AND PER CAPITA INCOME

While credit shows the outflow of finances to the economy from the banking sector, deposits indicate the inflow of idle resources of the economy to the banks which can then be canalized by the banks into effective investment through credit expansion.

A close look at the per capita deposit (PCD) of the states shows that while Meghalaya has the highest PCD in the region, Manipur has the lowest PCD. A comparative analysis of PCD/PCI also showed high level of intra state disparity. While approximately 15 percent of the PCI accrued in the form of bank deposits in Manipur, in Meghalaya on the other hand 50 percent of the income constituted bank deposits. For the states of Assam, Nagaland and Tripura it is observed that approximately 30 percent of the PCI accrued by way of bank deposit while in Mizoram it is only a quarter of the PCI. In Arunachal Pradesh the ratio of PCD to PCI is approximately 34 percent.

A comparison of the PCD/PCI within the income groups reveals that there is marked divergence among the states of the high income group. While Mizoram has a ratio of 25 percent, in Nagaland the PCD as a proportion of PCI is 30 percent and in Arunachal Pradesh the ratio stands at 35 percent. It is thus seen that within the group itself there is significant difference in the ratio.

The divergence is most pronounced in the middle income group of Manipur and Meghalaya. In fact, these two states also have the lowest and the highest ratio of PCD/PCI among all the States of the region. While the PCI of both the states are homogeneous, however, the PCD in Meghalaya is significantly higher than that in Manipur. Consequently the PCD/PCI ratio is also higher. On the other hand, for the states of the in the low income group the discrepancy is almost negligible for the first two years under reference, however in 1999-2000 the there is marked divergence between the two states.

Therefore, the intra state disparity for PCD/PCI is found to be more pronounced in the case of the middle income group, while the disparity is noticeable only in 1999-2000 in case of the lower income group. While PCD/PCI indicates the volume of income accruing by way of bank deposit, the CD ratio shows the amount of credit extended by the commercial banks vis-a-vis the deposit collected.

Figures given in Table-6 show that the CD ratio for all the states of the region are very low. While the RBI stipulated the bench mark ratio of 60 percent to be attained by all banks, at the national level the CD ratio for the commercial banks stands at 54 percent.

The CD ratio for the region as a whole hovers around 28 percent, a little higher than half the ratio at the national level. However, there is marked disparity among the States of the region. A look at the graphical trend of the CD ratio among the states of the region shows that except Arunachal Pradesh and Meghalaya where the CD ratio has been increasing, there has been secular decline in the CD ratio among the other states of the region.

In Mizoram the trend is fluctuating. Further, Manipur with the lowest PCD/PCI ratio has the highest CD ratio among the states of the region, while Meghalaya with a PCD/PCI ratio of 50 percent has a CD ratio of 16 percent only. For the states of the high income group, the data reveals that while the PCD/PCI ratio in Mizoram is the lowest in the group, the CD ratio in the state is not only high but also the divergence is more pronounced vis-à-vis Arunachal Pradesh and Nagaland where the CD ratio is almost at par hovering around 15%. Assam and Tripura which approximately have same PCD/PCI ratio, however show strong disparity in terms of CD ratio. The CD ratio for Assam is 32 percent approximately while the corresponding figure for Tripura is 26 percent. The CD ratio which shows the credit dispensation by the commercial banks vis-à-vis the deposit collected has been rather very low for all the states of the region. Further, inter state disparity in CD ratio is also very pronounced.

In fact the compound growth rate of credit in the north east region which was highest (20.12 percent) among all the regions of the country during the period between second phase of bank nationalization and banking sector reforms (1982-92), plummeted to 11.94 percent in the post reforms period (1992-2003), and is the lowest among all the regions. The growth rate calculated for different states of the region indicate that the two states of Manipur and Nagaland which accounted for highest growth rate of credit in the pre-reforms era witnessed sharp decrease in their growth rate. The mounting NPAs in both these states has led to pruning of credit and the result has been sharp decline in credit recycling. The picture is no better in respect of deposit. The region which accounted for highest growth rate of deposit (21.39 percent) in the pre-reforms era among all the regions of the country has the lowest compound growth rate of deposit (18.31 percent) in the post reforms era. The state wise figures calculated indicate that, the growth rate of deposit in all the states has decreased sharply in the post reforms era except in case of Assam where there has been a marginal increase in the growth rate. (Table: 7 & Table: 8)

RURAL INDEBTEDNESS: INSTITUTIONAL AND NON INSTITUTIONAL SOURCES

As mentioned earlier, the socio-economic setting of the region is rural in character. The incidence of indebtedness in the northeast economy is fairly strong. As per the NSS 48th Round (1991), on the eve of the financial sector reforms started in 1992,

the institutional agencies accounted for higher proportionate share in the total cash debts of the rural households in the region. Among the institutional sources, the government agencies have a higher share in the states of Mizoram (97.6 percent), Meghalaya (67.4 percent) and Arunachal Pradesh (41.6 percent). This share of the government agencies is basically due to the implementation of the rural development programmes like the IRDP RLEGP etc. The data also indicates a sizeable share of the co-operative societies in Meghalaya (31.1 percent) and Manipur (23.2 percent) among the formal institutional sources. Significantly, the co-operative movement that began in Assam as early as 1904, however, has not been able to address the real cash needs of the rural households. The NSS estimate shows that some 8.8% of the cash loans have been met by the Cooperatives in Assam which are beset with ills of management. On the other hand commercial banks account for larger shares in the states of Assam (34.5 percent), Tripura (49.9 percent) and Nagaland (27.0 percent).

Among the non-institutional sources, the NSS data indicate friends and relatives account for the major shares of the cash loans. This is primarily because of the close knit social fabric of the region. Secondly, as revealed by the NSS data, the cash debts of most of the rural households are under government sponsored rural development programmes and these are basically target oriented. Also, the incidence of indebtedness outside the ambit of government sponsored programmes is less pronounced in the hill states. The reason being that the economies in the hill states of the region are mostly subsistence economies and cash debts for meeting personal needs or other social obligations, are not very much in vogue. The small debts incurred for personal needs and other obligations are mostly met from friends and relatives.

While it is generally believed that moneylenders are more predominant in Assam, the NSS data on the contrary indicate that in Arunachal Pradesh, the share of professional moneylenders is highest (8.7 percent) among the rural households of the region. In Assam the share of the moneylenders is only four percent. In fact the share of professional money lenders among the non-cultivator households in Arunachal Pradesh hovered around 50 percent.

Desegregating the figures for cultivator and non-cultivator households the NSS estimates indicated that cash loans for both the groups in Meghalaya and Mizoram have primarily been from government rural development programmes. It is only in Tripura (48.3 percent), Assam (37.2 percent) and Nagaland (35.5 percent) that commercial banks have a sizeable share in the cash debts of the rural cultivator households. Among the non-cultivator rural households, the commercial banks share of cash debts among the rural non-cultivator households is comparatively higher in Tripura (51.2 percent) and Assam (28.0 percent). Significantly, the NSS data shows

that in the two states of Arunachal Pradesh (6.3 percent) and Manipur (21.7 percent), the share of institutional sources are very low vis-à-vis the non-institutional sources, which accounted for 60 percent and 76 percent of the total cash debts of the non-cultivator rural households respectively in the two states. In Nagaland, government agencies and cooperatives account for the total cash debts in the non-cultivator household group. (Table: 9 to Table: 20)

The share of commercial banks in the total cash debts of the rural households in the region is concentrated in the states of Assam and Tripura in the pre liberalization era. This clearly reflects that despite expansion of bank branches in the rural areas of the region, rural households have not yet been able to access credit from the commercial banks in the other tribal states of the region. As noted by Mahalingam (1995), 'tribal lending is a highly specialized task. Good local knowledge of agro-climate, economic and cultural conditions of the operational areas for prudent lending decisions. institutional finance flows to scheduled tribes under two types of schemes like IRDP type, including those schemes in which subsidy is being given from Special Central Assistance; and short-term and other term loans for production purposes advanced by co-operatives and commercial banks'. Since the coverage of commercial banks is limited, the co-operatives have been providing the major shares of loan to the tribal and these are mostly short term loans. Banking business in tribal areas of the region has been primarily government sponsored programmes which fail to take into cognizance the real credit needs of the rural population. Neither the borrowers are aware of the credit products available with the banks, nor are there any marketing strategies adopted by banks to educate the borrowers about the credit facilities available. The banking business is more of 'window banking' rather than 'field banking'.

In the post liberalization era, as stated by Shetty (1997), the reforms inevitably saw a reduction in rural banking in general and in primary sector lending and preferential lending to the poor in particular. In fact in 1991, the year before the financial sector reforms began, the proportion of rural branches in the total bank branches in the northeast region was 65 percent and the same for credit was 40 percent. Twelve years after the liberalization, the RBI statistics shows that while the proportion of rural bank branches has remained the same as the pre liberalization period (66 percent), but the share of rural bank credit in the total bank credit of the region has come down to 27.72 percent, which indicates that the rate of growth of rural credit has significantly slowed down in the post liberalisation era. Further, Assam which accounted for 73 percent of the rural credit in the region in the pre liberalization is still the largest state in terms of its proportionate share (68 percent) in the total rural bank credit in the region as on March 2003. However, there has been sharp deceleration in its credit growth and the compound growth of rural credit which was estimated to be 26.52% in the pre liberalization era plummeted to 2.63 percent in

the post liberalization period (Das, 2000).

The decrease in the share of rural credit in the post liberalisation era calls for crucial attention. The major default with the formal institutional sources like the commercial banks in respect of rural credit has been the delay in sanctioning and disbursing of loans especially crop loans. This is borne by the findings of a Study conducted at NEIBM on the problems of institutional finance (1998) which shows that in case of crop loans, banks stipulated shorter loan maturities than those stipulated by NABARD, while in case of small farmers where longer repayment periods have been stipulated, the banks fixed uniform repayment periods for both small and other farmers. Consequently, this affected the incremental income, which could not meet the repayments. Also, the small size of the holdings had an impact on the default- smaller the size, higher the default in repayment. Insights gained from the study on GPSS/LAMPS for Assam (1998) and case studies on farm households in Morigaon district of Assam (1996) by NEIBM, also lend weight to the above. The findings from the two studies reveal that small size of land holdings together with poor irrigation facilities during rabi season and the perennial floods during kharif season make it impossible for the farmers to raise their level of production beyond subsistence level and thereby fail to repay the loans. These findings are no different from the NSS 48th Round data which shows that higher the household asset holding size, higher is the accessibility to commercial banks. Lower the asset holding size, higher is the indebtedness to moneylenders in Assam and Tripura; cooperative societies in the states of Manipur and Meghalaya.

One can therefore imagine the plight of a rural household with no assets other than his dwelling shanty unit. The cash loans for consumption requirement therefore outweigh the cash loans for productive economic use. As noted by Vijay Mahajan and Ramola Gupta, in rural India productive use of loan was only 36%. Of this, 16% are supplied by commercial banks and the co-operatives while the remaining 21% are supplied by the non-institutional informal sector. The picture is no different in north-east India where the NSS 48th Round estimates indicate the preponderance of non-productive usage of loans incurred. In a study conducted on traditional money lending system in Assam (Das: 1996), reveals the same. The rate of interest charged by the money lenders usually vary from 9% to 13% per month and given mostly against personal security.

In fact as observed in the study, "The money lenders are no new class of people in Assam. During the early British days, when the village economy of Assam was self sufficient, *mahajans* and *keyas* were the only source of financial assistance for individuals in the absence of any formal banking house... Money was frequently advanced on standing crops, but the burden of such a loan weighed heavily on a borrower... Though the rate of interest charged by the *Marwari mahajans* were usu-

ally un favourable for the local ryots and poor villagers of Assam, however it cannot be ruled out that in the absence of any formal banking institution, these *mahajans* rescued many from impending ruin by providing funds when money could not be obtained from any other source." It is further revealed that the village moneylenders in Assam today are either wholesale traders called *mahajans*, relatively well-off large farmers, contractors who are facilitators and school teachers. It is significant to note that the same study found that the large farmers acted as moneylenders to small and marginal farmers out of the credit taken by the former from the commercial banks for medium and long term investments.

Repayment of the loan together with interest thereon by the borrower is central to smooth functioning of bank lending. However, the incidence of over dues in the bank credit in rural areas has been increasing over the years. The findings from the NEIBM study on problems of institutional credit shows that the main reasons for the default in repayment and mounting over dues are delays in sanctions and disbursements of crop loans and other petty retail trade loans which often defeat the purpose of generating incremental income for repayment. In contrast to the mounting over dues and low repayment rate for the commercial banks, the repayment rate hovers round 95% for non-production or consumption loans and 98% to 100% for production loans from money lenders. (Das: 1996). Thus, it is not cheap and concessional credit that can address the question of indebtedness of the rural households, but more importantly easy and timely accessibility of credit, which is the urgent requirement.

MICRO FINANCE-SMALL CREDIT TO MEET SMALL REQUIREMENTS OF SMALL PEOPLE

The findings from the research studies conducted by NABARD shows that the most important and immediate needs of the rural poor are to keep safe their occasional surpluses in the form of thrift and consumption loans to meet emergent lifecycle needs. The credit products of commercial banks needed to be free from cumbersome procedures. The insights gained from the studies indicate that existing banking policies, procedures, deposit and loan products are not designed to address the immediate needs of the poor and therefore, a very large number of poor and the rural households continue to remain outside the ambit of formal banking system and are hanging around money lenders for their cash requirements.

- ❖ The priority of the rural households and the poor is for consumption credit, small savings and production credit disbursed in time.
- ❖ The division of consumption credit and production credit for the rural poor is non-existent. Consumption requirements are met by the non-institutional informal sources like the moneylenders at exploitative rate of interest, as the poor borrowers are unable to offer to the banks any security for the small

consumption loans.

- ❖ For the banks, extending small consumption loans involves high transaction cost due to asymmetry of information.

Based on these findings, NABARD started the micro finance initiatives in 1992, financing 500 self help groups (SHGs) across the country. The emphasis is on improving the access of the poor to micro finance rather than just micro credit. Here the NGOs act as the catalysts of change and combine social and economic agenda with synergic effect. The sustainability is the core factor in the entire process. The banking system accepted the SHG-bank linkage as a cost effective means of reaching the un-served and the under-served in the rural areas and accepted peer pressure as collateral substitute for recovery of loans.

The movement has gained momentum and the total cumulative loans up to March 2002, was more than ten thousand million of rupees across the country. However, the momentum is still tardy in the northeast region where the figures stand at only twenty five million rupees which is only 0.25 percent. The NABARD statistics indicate that of the total number of SHGs (1490) linked with banks and provided loans in the region, 1024 SHGs (69 percent) are in Assam and the total bank loans in the state through SHGs is fourteen million which is approximately 53% of these total loans in the region.

AN ALTERNATE APPROACH

The entire development approach to the region has been one of doling funds to tide over problems rather than solving the root causes of the problems. The insufficient infrastructure base in terms of poor transport connectivity (intra state as well as inter state) and poor power scenario is obvious to keep away the investors from the region. Any business entity looks for higher returns with a low operating cost. But in north east the problem is low returns with high operating cost. To cap it, the problem of insurgency and disturbed law and order situation which is also substantial is an obvious alibi used by business entities to keep away funds flow to the region.

Assam continues to be the prime focus of all developmental moves in the region. Yet this state is placed at the bottom of the ladder in respect of per capita income of the constituent states of the region. There exists significant disparity among the states of the region with respect to income, deposit and credit. The low PCD/PCI ratio among the states of the region indicates that the deposit mobilisation by commercial banks have been very low. The low savings indicate leakage from income which could have been otherwise augmented for investment. Coupled with the low PCD/PCI, the CD ratio of the NE states are also low which indicates that credit dispensation by the commercial banks in the region is significantly low. Besides, except Assam and

Manipur, all the other states have a CD ratio less than 30 percent which is half the bench mark stipulated by the Reserve Bank of India. In so far as the percentage share of bank deposits of the north eastern states in the total bank deposits of India is concerned, it is found that the share is less than one percent for all the states, except Assam. A similar picture is seen in respect of bank credit, where the percentage share of each of the seven states of the region is less than one percent in the total bank credit for all the commercial bank in the country. Notwithstanding the disparity of the region with rest of the country, there is significant intra-regional disparity within the region, e.g. a high level of disparity in terms of spread and coverage of banking services- Assam has the largest share of bank branches, deposit and credit compared to other states. It is worth noting here that, the situation had not changed much even after nationalization; while the other states of the region were under banked at the time of nationalization compared to Assam which appropriated a larger share of the pie, thirty one years later Assam still continues to be the thrust area.

Given the small size of the deposit base in the economies of the north eastern states, a further low level of credit disbursement by the commercial banks indicates poor utilization of funds mobilized within the region. The low and declining trend in investment from term lending institutions on one hand, and a low CD ratio of commercial banks on the other, points to poor investment climate in the region. The low infrastructure base and poor connectivity of the region, the absence of entrepreneurial culture has only constrained the growth process in the region.

The economic histories of Germany, Spain and Japan have showed how the local banking system charted out the development process in tune with the local resource endowments and cultural factors. No initiative can augur its required thrust and impact without taking into consideration the geographical, social and cultural settings of the space and population. While doling out credit in targeted schemes can fulfill targets of monetary planning, it can do very little in impacting upon asset acquisition and raising the quality of life.

In the absence of a capitalist approach to development, what the region requires is small investments through its agro based economic set-up. The relevance of Hirschman's theory becomes palpable in the context of dynamics of growth and development of the region. The history of modern economic development of north-east region began since the British days with the discovery of oil, coal and tea in Assam. The discovery of the two mineral resources of oil and coal and the plantation crop tea in Assam called for development of adequate and good transport connectivity to the region for their proper economic utilization. This brought about colonial government's investment in infrastructure of the region by way of laying the railway tracks and road transport system in the entire oil and coal and tea belt of upper

Assam. The British policy was pursued in the line of what Hirschman's theory on development (1958) prescribes-investment in social overhead capital (SOC) preceding the directly productive activities (DPA). The conducive climatic conditions for tea cultivation led to thriving of the tea industry and the concept of market economy brought about by the Britishers led to its commercial cultivation. Thus, on one hand though the policies towards the tea and oil industries were suited to sub serve the British colonial interest, it never the less introduced north east India for the first time to commercial production and the world trade market. Therefore, it may be useful to study localised economic spaces in the context of regulationist perspective. Regulation theory is sensitive to the space in the way that, the stress upon national specificity enables us to appreciate that because of their histories, different region responds to the same processes in different ways. The question further arises of how local spaces of regulation relate to national space and how their relations are mediated through structural forms and modes of regulation? Is there a mode of macro regulation which accord different smaller sites their place within some overall regulatory strategy or does macro regulation simply emerge from the interaction of lower level of parties (Jessop, 1990)?

The development of the northeast economy during the British rule was charted more in tune with the resources available and the conducive environmental settings of the region. In the post independence period, the economic development of the region was brought under the blanket coverage of five year plans started across all the States and the country as a whole by the then Central government. Considering the geographical location of the region the North Eastern Council (NEC) was set up in 1972 to give a holistic approach to the entire developmental process of the region. The process of development in the region at present is affected by the three-tier macro planning: Central plans, the plans of the States and the plans of the North Eastern Council (NEC). Of late, in order to monitor the development initiatives of different government and semi government agencies in this strategic region of the country and in view of the growing insurgency problems often hampering the works of large development projects, the Department of Development of North Eastern Region (DONER) was set up in September 2001. It acts as the nodal Department of the Central Government addressing the issues of socio economic development of the seven states of the region. The matters related to the planning, execution and monitoring of developmental schemes and projects of north eastern region including those in the sectors of power, irrigation, roads and communication are dealt with by DONER besides Hill Area Development programme and Border Areas Development programme.

An interesting feature of the northeast India's political and administrative set up is the Autonomous District Councils (ADC) embodied in the Sixth Schedule. To fulfill the political aspirations for autonomy, particularly of the tribal communities of the region as well as to preserve their democratic traditions and cultural diversity, the

Constitution of India conceived the instrument of tribal self-rule under the ADC. Thus, north east have a number of institutional agencies working towards its economic and overall social development. Yet, north east has remained one of the most economically backward regions of the country with significant intra regional disparity among its constituent states. So we cannot expect that a particular regulation and economic order guides all sub national and spatial scale. Here, one has to examine whether it is possible to mediate nationally hegemonic regulations at the sub-national scale, creating local modes of social regulations. Different social regulatory mechanisms are still very active and decide the economic and social spaces in the northeast. These were in existence even before the existence of government law and policies. There should be ways to induce these regulations to the national scale.

The social and cultural norms and beliefs are strong determinants of economic behaviours. The social and cultural life of the north east is varied and has strong sway over the rural economic life. It may be worth noting here that the market economy and money as a medium of exchange is still unknown in many small pockets of north east (Bhuyan: 2002). The cultural and social space of the region present a distinct picture which is quite obviously distinctive from rest of the country in respect of commercial approach of collective acts. The region is distinctive in its social and cultural style with it's more humane and simplistic approach rather than an economic valuation of its resources. While this characteristic sets apart the region from rest of the country and the region takes pride in this distinctive stylized socio-cultural trait, it nevertheless is also perceived as a negative trait by the business entities and perhaps this call for a paradigm shift in the whole approach to development process in the region.

The government agencies whether the respective state governments or the NEC or the DONER can invest for development of infrastructure especially connectivity and transportation and power along with private parties, the banks along with local/traditional bodies, can concentrate on localized growth centres (LGC) identified on the basis of resource endowments and transport connectivity. This calls for a coordinated approach integrating the policies for real sector with banking sector taking into consideration the existing competitive advantages and disadvantages of the states in NE region. This institutional approach however needs to include within its fold a systematic study on the efficacy of the present traditional institutions and their alignment with the state and other public institutions in identifying the felt needs of the people and framing plan policies in consonance with the requirements and availability of resources. Perhaps this may bring about a wind of change through field banking rather than window banking where substantial amount of transaction costs can also be minimized.

Another very crucial aspect in the development of the LGCs is the market. The

Colonial investments in the plantation sector of Assam was induced by the presence of a ready market for tea in Britain and Europe and the trade was facilitated by the relatively well developed navigational routes via Bangladesh. It remains a fact that, more accessible is the market (not necessarily in physical terms) more the opportunity for business investment and returns. One of the maladies in the development approach of India and most of the developing countries has been aping the west without understanding the contextual relevance of such approaches. In the present globalised order, information technology has brought two spatially distant regions within close ambit of each other. The potentialities for business and trade relations with nature and scope of market can be pre determined. It requires a systematic integration of the localized factors within the scope of the market demand both within the region and outside the region

The structural framework for the region can be summarized as,

$$g = f(\text{Inf}, \text{LGC}, \text{Mk}) \text{ and}$$

- (1) $\text{Inf} = f(\text{GI}, \text{PI})$
- (2) $\text{LGC} = f(\text{R}, \text{B}, \text{LB})$,
- (3) $\text{Mk} = f(\text{D}, \text{S}) \text{ and}$
- (4) $\text{D} = f(\text{P}_p, \text{S}_p); \text{P} > 0,$
- (5) $\text{S} = f(\text{P}_p, \text{C}_p)$

Where, g stands for growth, Inf stands for infrastructure, Mk stands for market, LGC stands for local growth centres, GI represents government investments and PI stands for private investments for infrastructure, R for resources, B for commercial banks, LB/TB stands for local bodies, and D stands demand for the product, S for supply of the product, P_p for price of the product, S_p for price of the nearest substitute product available, C_p stands for cost of production.

The first approach of the Hirschman's unbalanced growth strategy can be applied in the hill areas by identifying the LGC and then appropriate investments in Inf can be made. In respect of existing LGC where minimum Inf exist, the LGC can be developed and the investment in Inf can be made with the feasibility of creating forward and backward linkage with the LGCs. This would bring about investments in the hinter LGC which will simultaneously call for investment in Inf . Once the growth impetus can thus be generated it can be expected to reinforce further growth impetus. This will lead to growth of ancillary linkages in small business paving the way for credit flow in the periphery of LGC for the banking fraternity.

Thus commercial banks can be held neither guilty nor absolved of all responsibilities for a declining CD Ratio. The question is not whom to blame and how far? Rather it is more pertinent to address the whole issue from a feasible and viable business opportunity for the region for economic resurgence.

REFERENCES:

Jessop, B. (1990); "Regulation theories in retrospect and prospect" *Economy and Society*, Vol.19, No.2.

Fukuyama, Francis (1995); *Trust-The Social Virtues and the Creation of Prosperity*. New York: Press Paper backs.

Mahalingam, Dr. S. (1995); *Institutional Finance for Development of Tribal Economy*, Vikas Publishing House, New Delhi-14.

Hume, David and Mosley, Paul. (1996); *Finance Against Poverty*, Routledge, London.

Humphrey, John and Hubert Schmitz (1996); *Trust and Economic Development: IDS Discussion Paper 355 Brighton: IDS.*

Das, Saswati. (1997), "A Bird's eye view of the traditional money lending system in Assam", NEIBM.

Shetty, S.L. (1997), "Financial Sector Reforms in India: An Evaluation", *Prajanan*, Vol.25, No3-4, National Institute of bank Management, Pune.

An enquiry into the Institutional Credit Flow in Assam (1998): a Project Report, North Eastern Institute of Bank Management (NEIBM).

Study on the Viability of GPSS and LAMPS in Assam (1998): A Project Report, NEIBM.

Das, Saswati. (2000), "The Role of Commercial Banks in the Economic Development of Assam", Unpublished Ph.D Thesis, Gauhati University.

Sriram, M.S. (2002), "Information asymmetry and Trust: A framework for studying micro-finance in India", Working Paper No.2002-09-02, IIM-Ahmedabad.

Hiimai, Thohii; "Stagnant Development in North East".

<http://www.manipuronline.com/>

[Features/May2003/stagnantdevelopment31_3.htm](http://www.manipuronline.com/Features/May2003/stagnantdevelopment31_3.htm)

Mahajan, Vijay and Ramola, Bharati Gupta. "Dhaka Starting Micro Finance in India"-BASIX-The People. <http://www.basixindia.com>.

Mf in India-An Overview. <http://www.nabard.org/roles/mcid/section1.htm>.

Mf in India-An Overview,

<http://www.nabard.org/roles/mcid/studiessummary.htm>

TABLE-A: TOTAL & RURAL POPULATION OF NORTH EASTERN STATES OF INDIA

(IN '000 PERSONS)

STATES	1991		2001	
	TOTAL	RURAL	TOTAL	RURAL
(1)	(2)	(3)	(4)	(5)
ARUNACHAL PRADESH	859	754	1091	868
ASSAM	22295	19824	26638	23429
MANIPUR	1826	1321	2389	1818
MEGHALAYA	1760	1432	2306	1853
MIZORAM	686	369	891	450
NAGALAND	1212	1005	1989	1635
TRIPURA	2744	2326	3191	2648

Source: CENSUS OF INDIA-1991, 2001.

Table 1: Net State Domestic Product and Per Capita Income

State	Net State Domestic Product (NSDP) (Rupees in Crore) In Current Prices			Per Capita Income (PCI) (In Rupees) In Current Prices		
	(2)	(3)	(4)	(5)	(6)	(7)
(1)	1997-98	1998-99	1999-2000	1997-98	1998-99	1999-2000
Arunachal Pradesh	1192	1286	1533	11723	12335	14338
Assam	20211	22710	25333	7966	8826	9720
Manipur	1945	2311	2554	9054	10520	11370
Meghalaya	2146	2467	2806	9565	10607	11678
Mizoram	1022	1139	1359	11667	13712	12535
Nagaland	2137	2184	-	13052	12408	-
Tripura	3015	3473	3813	8647	9613	10213
Coeff. Of var	153.60	153.75	150.81	18.58	15.54	13.17

Source: NEDFI Data Bank, Quarterly, Vol.1.Issue I, July, 2002

Table 2: Road Connectivity in the N.E. States (1999-2000)

States	Total Road Length (Km)	Road Density (per sq. km.)
(1)	(2)	(3)
Arunachal Pradesh	13868	0.17
Assam	33343	0.425
Manipur	7172	0.32
Meghalaya	7328	0.33
Mizoram	6808	0.32
Nagaland	9498	0.57
Tripura	5902	0.56

Source: NEDFI Data Bank, Quarterly, Vol.1.Issue I, July, 2002.

Table 3- Bank Branches, Deposit and Credit in North East Region in 1969

States	No. of Bank Branches	Deposits (Rs. in crore)	Credit (Rs. in crore)
(1)	(2)	(3)	(4)
Arunachal Pradesh	-	-	-
Assam	74	48	20
Manipur	2	-	-
Meghalaya	7	-	-
Mizoram	-	-	-
Nagaland	2	1	0.1
Tripura	5	4	0.3

Source: Syndicate Bank; Pigmy Economy Review

Table 4: Distribution of Bank branches, Deposit & Credit of Commercial Banks

States	Bank Branches (Nos.)			Deposit (Rs. in crore)			Credit (Rs. in crore)		
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Year	1998	1999	2000	1998	1999	2000	1998	1999	2000
Arunachal Pradesh	68	68	69	413	484	538	54	68	84
Assam	1241	1242	1263	6022	7035	8444	1978	2214	2701
Manipur	85	86	88	283	406	459	167	169	172
Meghalaya	179	179	181	1019	1147	1403	155	191	229
Mizoram	78	78	79	214	305	321	50	63	75
Nagaland	71	71	70	545	739	770	100	116	118
Tripura	180	181	183	832	1051	1274	283	309	327

Source: NEDFI Data Bank, Quarterly, Vol.1.Issue I, July, 2002

Table 5: Per Capita Deposit & Proportion of Per Capita Deposit to Per Capita Income in N.E. States

States	Per Capita Deposit (in Rs.)			PCD / PCI (in percentage)		
	1997-98	1998-99	1999-2000	1997-98	1998-99	1999-2000
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Arunachal Pradesh	3883	4377	5042	33	35	36
Assam	2508	2868	3225	32	33	33
Manipur	1279	2775	1975	14	17	17
Meghalaya	4803	5151	6245	50	49	54
Mizoram	2463	3394	3700	21	25	30
Nagaland	3362	4288	4068	26	35	33
Tripura	2545	2996	4905	29	31	48

Source: CMIE, Money & Banking-September, 2002 NEDFI Data Bank, Quarterly, Vol.1 Issue I, July, 2002

Table 6: Credit Deposit Ratio of N.E. States

States	Year (In percentage)			
	1997	1998	1999	2000
(1)	(2)	(3)	(4)	(5)
Arunachal Pradesh	10.73	13.13	14.07	15.68
Assam	35.18	32.85	31.47	31.99
Manipur	57.51	58.77	41.66	37.45
Meghalaya	14.27	15.17	16.68	16.30
Mizoram	14.02	23.17	10.60	23.26
Nagaland	24.04	18.33	15.70	15.34
Tripura	37.69	33.96	29.42	25.70

Source: CMIE, Money & Banking-September, 2002 & NEDFI Data Bank, Quarterly, Vol.1.Issue I, July, 2002.

Table 7: Compound Growth Rate of Deposit in N.E. States

STATES	1972-82	1982-92	1992-2003	1972-1992
(1)	(2)	(3)	(4)	(5)
ARUNACHAL	34.5	25.39	16.98	68.65
ASSAM	21.91	17.77	17.96	43.58
MANIPUR	26.43	19.52	18.23	51.11
MEGHALAYA	14.55	20.27	18.46	37.77
MIZORAM	42.87	21.21	20.13	73.17
NAGALAND	28.41	23.23	18.14	58.24
TRIPURA	17.75	22.68	20.85	44.45
N.E.R.	21.39	19.05	18.31	44.51
N.R.	20.67	17.26	19.6	41.49
E.R.	16.94	16.22	16.48	35.91
C.R.	20.09	18.19	18.51	41.92
W.R.	16.1	19.17	17.23	38.36
S.R.	20.37	17.75	19.59	41.73
ALL INDIA	18.55	17.86	18.35	109.37

Table 8: Compound Growth Rate of Credit in N.E. States

STATES	1972-82	1982-92	1992-2003	1972-1992
(1)	(2)	(3)	(4)	(5)
ARUNACHAL	54.73	32.51	13.87	105.03
ASSAM	21.8	19.13	11.47	45.1
MANIPUR	21.94	25.9	8.3	53.52
MEGHALAYA	17.96	20.7	22.14	42.39
MIZORAM	73.56	26.97	20.63	120.36
NAGALAND	37.92	25.14	4.77	72.59
TRIPURA	45.65	20.44	10.01	75.42
N.E.R.	23.38	20.12	11.94	48.21
N.R.	26.28	12.82	20.95	42.47
E.R.	15.33	15.05	14.1	32.69
C.R.	23.48	17.21	14.44	44.72
W.R.	14.95	17.16	21.14	34.68
S.R.	18.69	17.33	17.66	39.26
ALL INDIA	18.72	16.03	18.7	37.76

TABLE-9: TOTAL CREDIT AND RURAL CREDIT OF COMMERCIAL BANKS IN NORTH EASTERN STATES OF INDIA

STATES	(IN LAKHS OF RUPEES)					
	1991		2001		2003	
	TOTAL	RURAL	TOTAL	RURAL	TOTAL	RURAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)
ARUNACHAL PRADESH	7385	7361	8926	5880	14432	6979
ASSAM	183735	69813	319312	79963	369512	103247
MANIPUR	9494	2107	16456	4562	17921	3781
MEGHALAYA	9913	4815	27640	8168	62303	10938
MIZORAM	3141	1313	9957	3381	17616	4967
NAGALAND	10187	3441	12387	2215	16071	2574
TRIPURA	16880	7312	35524	15520	53737	20423

Source: QUARTERLY HANDOUT & BSR STATISTICS, 1991, 2001, 2003, RBI.

TABLE-10: TOTAL RURAL CREDIT AND AGRICULTURAL CREDIT OF COMMERCIAL BANKS IN NORTH EASTERN STATES OF INDIA

(IN LAKHS OF RUPEES)

STATES	1991		2001	
	RURAL	AGRICULTURE	RURAL	AGRICULTURE
(1)	(2)	(3)	(4)	(5)
ARUNACHAL PRADESH	7361	677	5880	1084
ASSAM	69813	13009	79963	15894
MANIPUR	2107	693	4562	1036
MEGHALAYA	4815	1727	8168	2267
MIZORAM	1313	506	3381	526
NAGALAND	3441	1143	2215	918
TRIPURA	7312	2070	15520	4484

Source: BSR STATISTICS, 1991, 2001, RBI.

TABLE-11: PROPORTION OF CASH DEBTS OF RURAL CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	INSTITUTIONAL	NON INSTITUTIONAL	UNSPECIFIED
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	77.3	19.4	3.3
ASSAM	61.0	36.7	2.4
MANIPUR	69.7	27.4	2.9
MEGHALAYA	88.7	11.3	-
MIZORAM	98.1	1.9	-
NAGALAND	41.3	57.4	1.3
TRIPURA	80.7	19.3	-

Source: NSS 48TH ROUND.

TABLE-12: SHARE OF MAJOR INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	GOVERNMENT	CO-OPERATIVES	COMMERCIAL BANKS
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	49.9	1.8	4.3
ASSAM	17.9	4.4	37.2
MANIPUR	11.8	41.5	-
MEGHALAYA	61.0	27.7	-
MIZORAM	97.5	-	0.06
NAGALAND	3.2	2.5	35.5
TRIPURA	20.1	12.3	48.3

Source: Same as Table: 11.

TABLE-13: SHARE OF MAJOR NON -INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	AGRICULTURIST MONEY LENDER	PROFESSIONAL MONEY LENDER	FRIENDS & RELATIVES
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	-	-	5.3
ASSAM	0.08	4.4	20.1
MANIPUR	3.3	-	-
MEGHALAYA	-	-	11.3
MIZORAM	-	-	1.9
NAGALAND	3.9	0.05	53.0
TRIPURA	0.02	3.2	10.0

Source: Same as Table: 11.

TABLE-14: PROPORTION OF CASH DEBTS OF RURAL NON-CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	INSTITUTIONAL	NON INSTITUTIONAL	UNSPECIFIED
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	6.3	60.0	33.7
ASSAM	72.7	27.3	-
MANIPUR	21.7	76.3	2.0
MEGHALAYA	100.0	-	-
MIZORAM	100.0	-	-
NAGALAND	99.7	0.03	-
TRIPURA	96.2	3.8	-

Source : Same as Table: 11

TABLE-15: SHARE OF MAJOR INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL NON-CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	GOVERNMENT	CO-OPERATIVES	COMMERCIAL BANKS
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	-	15.4	55.2
ASSAM	18.0	17.5	28.0
MANIPUR	3.3	6.9	1.2
MEGHALAYA	100.0	-	-
MIZORAM	100.0	-	-
NAGALAND	77.4	22.3	-
TRIPURA	31.5	13.2	51.2

Source: Same as Table: 11.

TABLE-16: SHARE OF MAJOR NON-INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL NON-CULTIVATOR HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	AGRICULTURIST MONEY LENDER	PROFESSIONAL MONEY LENDER	FRIENDS & RELATIVES
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	-	49.9	-
ASSAM	-	1.3	12.0
MANIPUR*	-	-	7.4
MEGHALAYA	-	-	-
MIZORAM	-	-	-
NAGALAND	-	-	0.03
TRIPURA	0.07	-	3.1

Source : Same as Table: 11.

*Note: In Manipur, share of 'others' is higher in non-institutional sources.

TABLE-17: PROPORTION OF CASH DEBTS OF RURAL HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	INSTITUTIONAL	NON INSTITUTIONAL	UNSPECIFIED
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	65.0	26.4	8.6
ASSAM	64.4	33.9	1.7
MANIPUR	55.4	42.0	2.6
MEGHALAYA	90.6	9.4	-
MIZORAM	98.2	1.8	-
NAGALAND	55.3	43.6	1.0
TRIPURA	89.4	10.6	-

Source: Same as Table: 11.

TABLE-18: SHARE OF MAJOR INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	GOVERNMENT	CO-OPERATIVES	COMMERCIAL BANKS
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	41.6	1.5	
ASSAM	17.9	8.3	34.5
MANIPUR	9.2	31.1	0.04
MEGHALAYA	67.4	23.2	-
MIZORAM	97.6	-	0.06
NAGALAND	21.0	7.3	27.0
TRIPURA	26.5	12.8	49.9

Source: Same as Table: 11.

TABLE-19: SHARE OF MAJOR NON -INSTITUTIONAL AGENCIES IN CASH DEBTS OF RURAL HOUSEHOLDS IN NORTH EASTERN STATES OF INDIA

(IN PERCENTAGE)

STATES	1991		
	AGRICULTURIST MONEY LENDER	PROFESSIONAL MONEY LENDER	FRIENDS & RELATIVES
(1)	(2)	(3)	(4)
ARUNACHAL PRADESH	-	8.7	4.4
ASSAM	0.05	3.5	17.7
MANIPUR*	2.3	-	8.4
MEGHALAYA	-	-	9.4
MIZORAM	-	-	1.8
NAGALAND	3.0	0.03	40.3
TRIPURA	0.05	1.4	6.1

Source: Same as Table: 11.

*Note: In Manipur, share of 'others' is higher in non-institutional sources

TABLE-20: PRPORTION OF RURAL LANDLESS HOUSEHOLDS AND HOUSEHOLDS WITHOUT CULTIVABLE LAND IN NER

(IN PERCENTAGE)

STATES	HOUSEHOLDS WITHOUT LAND		HOUSEHOLDS WITHOUT CULTIVABLE LAND	
	1993-94	1999-2000	1993-94	1999-2000
(1)	(2)	(3)	(4)	(5)
ARUNACHAL PRADESH	15.38	19.81	22.81	25.38
ASSAM	11.77	14.37	34.55	35.38
MANIPUR	0.56	1.53	24.74	16.18
MEGHALAYA	8.90	6.89	17.89	12.42
MIZORAM	1.29	2.39	10.25	14.43
NAGALAND	3.66	1.51	6.35	10.54
TRIPURA	7.23	3.50	54.01	57.85

Source: NSS 50TH AND 55TH ROUND.

TABLE-21: SHG-BANK LINKAGE- NORTH EASTERN STATES: PHYSICAL AND FINANCIAL PROGRESS UPTO 31 MARCH 2002

(RS. IN MILLION)

STATES	CUM.NO.OF SHGS GIVEN BANK LOAN UPTO 31.03.01	NO. OF SHGS GIVEN BANK LOAN UPTO 31.03.01	CUM NO.OF SHGS GIVEN BANK LOAN UPTO 31.03.01	CUM. BANK LOAN UPTO 31.03.01	BANK LOAN IN 2001-02 [#]	CUM. BANK LOAN UPTO 31 MARCH 2002 [#]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
ARUNACHAL PRADESH	-	108	108	0.00	2.00	2.00
ASSAM	276	748	1024	3.99	9.66	13.65
MANIPUR	31	103	134	0.51	2.10	2.61
MEGHALAYA	160	19	179	4.06	1.73	5.79
MIZORAM	-	-	-	-	-	-
NAGALAND	-	15	15	-	0.58	0.58
TRIPURA	5	2	7	0.32	0.01	0.33
NORTH EAST	472	995	1467	8.88	16.08	24.96
INDIA	263825	239066	461478	4808.79	5454.59	10263.39

Source: <http://www.nabard.org/roles/mcid/highlights.htm>

Note: Includes repeat bank loans.

TABLE-22: SHG-BANK LINKAGE- AGENCY WISE PARTICIPATION NORTH EASTERN STATES: PROGRESS UPTO 31 MARCH 2002

(RS. IN MILLION)

STATES BANKS	COMMERCIAL RURAL BANKS		REGIONAL BANKS		COOPERATIVE		TOTAL	
	NO. OF SHGS	BANK LOAN	NO. OF SHGS	BANK LOAN	NO. OF SHGS	BANK LOAN	NO. OF SHGS	BANK LOAN
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
ARUNACHAL PRADESH	108	2.00	-	-	-	-	108	2.00
ASSAM	179	1.84	839	11.66	6	0.15	1024	13.65
MANIPUR	134	2.61	-	-	-	-	-	-
MEGHALAYA	62	-	-	-	-	-	-	-
MIZORAM	5.48	117	0.31	-	-	-	179	5.79
NAGALAND	-	-	15	0.58	-	-	15	0.58
TRIPURA	2	0.16	3	0.15	2	0.02	7	0.33
NORTH EAST	485	12.09	974	12.70	8	0.17	1467	24.96
INDIA	274247	6009.07	188738	3459.44	39906	794.88	461478	10263.39

Source: <http://www.nabard.org/roles/mcid/highlights.htm>