

Institutional Barriers in Tribal Hill Areas for Agricultural Finance: A Case Study in Nagaland

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ABSTRACT The underdeveloped countries like India suffered from scarcity of capital which is the greatest handicap in their economic development. To mobilize finance, which is the crux of the problem of development, a sound banking system is essential and other financial institutions are required to channelised savings into investment and supply the credit needs of trade and industry. Tribal hill areas in North-eastern Region are plagued with some institutional barriers on the path of their achieving desired economic growth. The present study is investigating some of the institutional barriers, which appear unique in character and dimension, towards extending agricultural finance to tribal hill people of Nagaland. This study is a helpful for undertaking training, research and consultancy functions aiming for upliftment of tribal rural masses in North-eastern Region, comprising of seven sisters states (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) and Sikkim.

INTRODUCTION

Economic development, as the opposite of under-development, implies that a country has a highly developed economic system. This, in turn, means that it has a highly efficient organization both of agriculture and of industry, a highly developed banking and credit system and an adequate development of transport and communications. Widespread social, institutional and organizational changes are implied in the process of economic development. It means, in short, a transformation of predominantly agrarian economy into highly industrialized one, bringing about a rise in national income (N. I) and per capita income (P.C.I). This is accompanied by a high rate of capital formation and a high degree of technological development.

In an under-developed economy, there is a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a stationary state of under development equilibrium. The vicious circle of under – developed equilibrium can be broken only by a comprehensive government planning of the process of economic development.

In the initial phase, the process of development in an under – developed country is held up primarily by the lack of the basic social and economic overheads such as schools, technical colleges and research institutes, hospitals and railways, roads and bridges etc. Provisions of

these overheads require very large investments. Such investments will lead to the creation of external economics, which, in turn will provide incentives for the expansion of private enterprise in the field of industry as well as of agriculture.

Finance is the crux of the problem of development. The under – developed countries like India suffer from scarcity of capital which is the greatest handicap in their economic development. No doubt that their savings are meager but even the meager savings are not available for economic development. To mobilize these savings, a sound banking system is essential and other financial institutions are required to canalize these savings into investments and supply the credit needs of trade and industry. The government is to see that appropriate financial institutions, are set up to meet the requirement of the entrepreneurs.

In India, the government took steps to reform the banking system and put it on a sound footing. Fourteen major commercial banks were nationalized in 1969 and six more commercial banks were also nationalized in 1980. In the agricultural sector to meet the short – term credit, land mortgage banks or land development banks have been organized. Agricultural Refinance Development Corporation (ARDC) was set up to serve as a refinancing agency for agricultural credit. Several other agencies were also introduced for these purposes. These are Small Farmers Development Agencies (SFDA'S),

Marginal Farmers and Agricultural Labour (MFAL) schemes etc. In the industrial sector too, financial and other institutions were established to promote industrial development. To assist the small scale and cottage industries several boards were set up such as the Cottage Industries Board, All India Handicrafts Board, State Financial Corporations, and National Small Industries Corporation etc. For large scale industries, several institutions like Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI), were established. Industrial Credit and Investment Corporation of India (ICICI) was also established to assist the creation, expansion and modernization of industrial enterprises in the private sector.

Agriculture is the main occupation of the 80 percent people of Nagaland. Agriculture supplies the basic food items of this state. But the total production in Nagaland is not sufficient for whole population of the state. Therefore, the primary requirement is to increase production by changing the pattern of cultivation and provide gainful employment to the rural masses. In Nagaland, therefore to increase agricultural production by poor farmers, adequate credit facilities are required.

Accordingly the present study was carried out, taking a case study, for studying the role of credit related institutions in the hilly areas of Nagaland.

There exists several studies relating to the institutional credit for agricultural advancement like Minhas and Vaidyanathan (1965), Rajagopalan (1968), Cummings (1971), Dharma Narain (1977), Ray (1984), Pana (1985) etc. But only a few studies are available on Nagaland like Husain (1988), Salah (1989), Lanusosang (1989), Ao (1993), Kumar (1993), Imnayongdang (1993).

Objective of the Study

The objective of the study is to find out the barriers of credit – related institutions to advance credit for economic development of Tribal Hill Areas of Wokha District in Nagaland.

OBSERVATIONS AND DISCUSSION

Wokha, an erstwhile sub – division of Mokokchung district was upgraded to full fledged district in the year 1976. The area of this district in terms of square kilometer is 1628. The district is

bounded by Mokokchung and Zunheboto district in the east, by Golaghat district of Assam on the northwest and by Kohima district on the south. Wokha district is broadly divided into five blocks. These are (i) Wokha block (ii) Sainis block (iii) Chukitong block (iv) Bhandari block and (v) Wozhuro Ralan block. Most of the soil of Wokha district comprises (a) forest soils (organic) belonging to the order spodosol (b) alluvial soil and (c) non – laterised and lateritic soils. The total population of Wokha district as per 2001 census is 1,61,098. There are 1, 23,402 rural population. Total literate people are 1, 31,704 out of which literate male is 62,565 and literate female is 51,139.

The banking service is rendered to the people by the five branches of State Bank of India (SBI), one branch of Nagaland State Co- operative Bank (NSCB), one branch of Bank Of Baroda (BOB), one branch of Nagaland Rural Bank (NRB) and one branch of Farming co-operative society in Wokha district. Table 1 is showing the number of banks (block wise). In Nagaland, the total number of branches of banks are 70 including SBI, BOB, NSCB, and NRB where as in Wokha, there are 8 branches (in total) of banks.

There are about fifty registered Co-Operative Societies in this district. Out of which, 17 societies are dormant. There are a good number of multi-purpose Co- operative Societies functioning in Wokha district, namely, Weaving Co – operative societies, Fishery Co- operative Society, Piggery Co- operative society, poultry Co- operative Society etc.

Agriculture is the principal occupation of about 95 percent of working population in Wokha. The Jhum is widely practiced in this district. Major crops cultivated in the district are paddy and maize. Many crops like potato, cabbage, ginger, pea, passion fruit etc. are also grown abundantly. Moreover, the soil and climate of the district are suitable for horticultural activities. In this connection, it may be noted that the Department of Horticulture has a direct linkage with farmer for seeds, fertilizers and related subsidies where applicable.

The district has many small village industries. There is a Hume Pipe Factory located a few kilometers away from the Wokha Town. District Industries Centre (DIC) is running a few citronella firms – cum – distillation units. There are a few saw mill and pine apple fibre unit processing center at Baghty.

Table 1: List of blocks and their service area banks in wokha district.

<i>S. No.</i>	<i>Block</i>	<i>Block Code</i>	<i>Name of the Bank / Branch</i>
1	Wokha	1	(a) State Bank of India (SBI), Wokha (b) State Bank of India (SBI), Doyang (c) Bank Of Baroda (BOB), Wokha
2	Sainis	2	(a) State Bank of India (SBI), Baghty (b) Nagaland Rural Bank (NRB), Wokha.
3	Chukitong	3	(a) State Bank of India (SBI), Wokha. (b) Bank Of Baroda (BOB), Wokha (C) Nagaland State Co- operative Bank (NSCB), Wokha.
4	Bhandari	4	State Bank of India (SBI), Bhandari.
5	Wozhuro Ralan	5	State Bank of India (SBI), Changpang

The study shows (which has been known from field study) that there are several problems included in advancing loan. These are discussed below:

1. The cultivators are not having proper land record. Their purchasing and selling of land is done with the presence of Gaon Bura (Village Head man) and Village Council. Therefore, the cultivators can not show any type of land record to the bank and loan is not given to them.
2. Generally, Jhum cultivation is practiced here. Loan is given for Jhum cultivation because Jhum cultivation is actually shifting cultivation and after few years, they shift their plot of land for cultivation. So, the land is not fixed. Paddy and maize are cultivated here mainly in the Jhum land. Therefore, loan is not given for the cultivation of paddy or maize.
3. Some amount of loan is given for plantation crops like pineapple, banana, orange, Passion fruits, ginger, cabbage, pea, potato etc. The banks also have financed a large number of fishing units. These are mainly pond fisheries. That State Fishery Department maintains a direct linkage with fish farmers and supplies fingerlings at subsidized rate to the deserving farmers. This type of loans are given either to the Self – Help Groups (SHGs) or to the individuals. For this type of loan, sponsorship is required either from District Rural Development Agency (DRDA) or from District Urban Development Agency (DUDA). But for industrial loan, sponsorship is required from District Industries Centre (DIC).

Besides these, loans are also given for centrally sponsor schemes, which are:

- (a) Prime Minister Rozgar Yojana (PMRY)
- (b) Swarna Jayanti Gram Swarozgar Yojana (SGSY)

- (c) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
- (d) Jawahar Gram Samridhi Yojana (JGSY)
- (e) Self- Employment to Educated Unemployed Youth (YRS).

The Village Development Board (VDB) was introduced in 1979- 80 by the State Government for the creation of minimum infrastructure and special employment programme in every recognized village of Nagaland. The grant – in – aid is allotted each year to the VDBs (Village Development Boards) on the basis of tax paying households and is the only assured fund allocation given to a village implementing development programmes of either specific choices and local needs. VDB is always having also fixed deposit in the form of (a) Matching Cash Grant (MCG) and National Saving Certificate (NSC), which helps the VDB to get grant from the government. This is the only programme which ensures that the developmental needs of the rural women is taken care by earmarking 25 percentage of the grant – in – aid for them. This has been very successful and has also ensured the effective participation of the rural people in the in the Rural Development Programme which is in keeping with the national policy of grass - root level planning . It is well established that a lot of development programmes that have resulted in the creation of durable assets including infrastructures have been made possible mainly through this unique programme.

Therefore, there are several schemes for advancing loans in various developmental fields but our study shows that the loan recovery is very less. Table 2 shows that 7 percent of the total loan has been repaid during 2002-03. Here sponsoring authority only sponsor to give loan to the individuals or to the Self – Help groups

Table 2: Bank – wise position of recovery and over dues as on 31. 03 2004.

Bank	Agriculture and allied activities			Industries			Services			Total			Percentage of recovery
	D	R	O	D	R	O	D	R	O	D	R	O	
<i>SBI Group</i>													
Wokha	576	-	576	3552	-	3552	1086	-	1086	5214	-	5214	-
Doyang	97	17	80	-	-	-	-	-	-	97	17	80	18
Baghty	950	145	805	540	38	502	531	31	500	2021	214	1807	11
Bhandari	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Changpang	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Total	1623	162	1461	4092	38	4054	1617	31	1586	7532	231	7101	03
BOB Wokha	2600	215	2385	2105	110	1995	3700	98	3602	8405	423	7982	05
NSCB Wokha	-	-	-	-	-	-	-	-	-	-	-	-	-
NRB Wokha	55	36	19	-	-	-	920	467	453	975	503	472	52
Grand Total	4278	413	3865	6197	148	6049	6237	596	5641	16712	1157	15555	07

Source: Annual Report (SBI), 2004.

D = Demand.

R = Recovery.

O = Over dues.

N.A = Not Available.

(SHGs) but they do not take any responsibility to recover the loan. Therefore, responsibility comes on the bank only. For this reason also the financial institutions do not advance loan always.

4. Another barrier comes from the credit – deposit ratio. In the study area as well in total Nagaland, the credit deposit ratio is very less because of the less recovery of loan. Table – 3 shows position of the credit – deposits in the study area in details and Table – 4 shows the position of credit – deposit in Nagaland and other parts of North East and also in some other tribal areas in India comparing with the credit – deposit ratio in All India level.

Table 3: Position of Credit – deposit ratio of various banks in Wokha district, as on 31.03. 2004. (Rs. in thousand)

Bank / Branch	Total deposits	Total advance	Credit – deposit ratio (in percentage)
<i>SBI Group</i>	-	-	-
Wokha	140714	22199	16
Doyang	27987	1414	05
Baghty	7466	5433	73
Bhandari	9963	3633	36
Changpang	4314	1102	26
Total	190444	33781	18
BOB Group	-	-	-
Wokha	48700	19100	39
NSCB Group	-	-	-
Wokha	54937	9489	17
NRB Group	-	-	-
Wokha	5426	4956	91
Total (in the whole district)	2, 99,507	67,326	22

Source: Annual Report (SBI), 2004.

Therefore, in total Wokha district credit – deposit ratio is 22 percent where as in total Nagaland, it is only 15 percent because it is very low (even less than 15 percent) in some other backward areas in Nagaland.

Again, in all India level, not only Nagaland but almost all North-Eastern states, the position of credit – deposit ratio is very poor because of less recovery of loan.

Looking at the performance of the financial institutions, the following conclusions can be drawn.

1. The financial institutions are not working well to extend credit facilities for economic development. This is known from the low credit – deposit ratio.
2. The tribal peoples are not getting help from the financial institutions to develop

Table 4: Position of credit – deposit ratio in North – Eastern region and some other tribal areas in India. (as on June 2001)

Name of the state	Credit – Deposit ratio (in percentage)
Nagaland	15
Manipur	35
Meghalaya	16
Mizoram	23
Arunachal Pradesh	13
Assam	33
Tripura	19
Sikkim	15
Uttaranchal	25
Chhastishgarh	39
All India Level	56

Source: Economic Survey of India, 2001-02

agricultural pattern as well as industrial production.

emphasized by the financial institutions, can be suitably managed.

CONCLUSION AND SUGGESTIONS

Therefore, the appropriate measures to be adopted by various related agencies to overcome these institutional barriers are the need of the hour; accordingly the following policy prescriptions are suggested:

- a. Since the tribes of Nagaland are not having land record of Jhum (because of shifting cultivation), so Jhum cultivation should be replaced by terrace cultivation and the cultivators will get benefits of credit from the financial institutions.
- b. The concerned state government (in this case of Nagaland) should modify land record legislation so that the farmers can submit appropriate authentic records to the financial institutions to make them eligible for getting credit.
- c. Land reform measures including ceiling on land holdings to be implemented properly to ensure justice in the distribution of land so that farmers are not gradually evicted from the ownership due to financial crisis, which is evidenced from the economic condition of the poor tribal farmers.
- d. The credit policy of the government should be such that the poor section of the society can get more opportunity of enjoying institutional credit. If it is done, then the benefits will be directed largely towards the poor households and in this way the income inequality will be reduced. In the hill tribal areas from the view-point of communitization and importance of tribal village council, financial institutions like banks may encourage co-operation system of finance as well as Self – Help groups in collaboration with village level institutions (i.e, Village Development Boards in an case of Nagaland) to overcome these barriers.
- e. Agricultural marketing system should be streamlined in the desired direction so that the farmers can get the benefits and thereby the repayment aspect, which is more

NOTES

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