

**ROLE OF COMMERCIAL BANKS IN REGIONAL  
DEVELOPMENT : A CASE STUDY OF JAINTIA  
HILLS DISTRICT OF MEGHALAYA**

By

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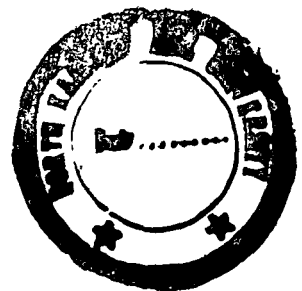
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November 20 , 1990



ELEEBON TARIANG

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## SUPERVISOR'S CERTIFICATE

This is to certify that this dissertation entitled **Role of Commercial Banks in Regional Development : A Case Study of Jaintia Hills District of Meghalaya** submitted by Miss Eleebon Tariang for the award of the degree of Master of Philosophy in Economics, is an original piece of work carried out by her under my supervision. This work or part thereof has not been submitted for the award of the degree of any other University nor has it ever been published anywhere.

The dissertation, in my opinion, is worthy of being considered for the award of the Degree of Master of Philosophy in Economics.

Dated, November 20, 1990

  
(P.M. Passah)  
Supervisor

**Chapter I**  
**INTRODUCTION**

### **Importance of the Study**

Banking and other financial institutions are well recognised today as instruments of economic development. They have a crucial role to play in the economic development process. Many countries both developed and developing, felt that it is necessary for the banks to function more and more as development institutions so as to accelerate the process of economic development. In an International Seminar on Banking and Development held in India in February 1970, advantages of banks' tagging of Saving Schemes to lending in the rural areas were emphasized both as a means of deposit mobilisation and credit expansion over a wider area as well as of spreading the banking habit.<sup>1</sup>

On the subject of deposit mobilisation in rural areas, the difficulties of expanding branches in rural areas were recognised by the Seminar and the idea of some subsidisation in this respect, at least in initial stages was referred to. Thus, the importance of setting up banking system in rural areas is recognised.

India adopted planned development as a means to securing better living conditions. With the adoption of planning for India's economic development, building an appropriate structure of development finance institutions has been of crucial importance. Of the many structural and institutional changes that are necessary in developing countries, not the least important is the adaptation of financial institution to serve the objectives of development and to bring about greater mobility of resources for financing economic development. That is why in India, several steps designed to make the banking

system development-oriented have been taken to give a requisite financial support to new development in industry and agriculture, to large scale industry and the small entrepreneur. Thus, in India the concern has been not only with economic development and growth but also with ensuring that the benefits of development reach out to the vast masses of population.

The first decade of Indian planning witnessed the emergence of a number of development banks both at all India level and regional level. Development banking in India covers agriculture, industry, international trade and housing. Most institutions are being established to cater to the special regional need. Uptill 1988, India is being served by over 66 Development Banks.<sup>2</sup> Balanced regional development is one of the efforts of development banking in India. It is with this end in view that we have undertaken to investigate the role of commercial banks in the Jaintia Hills District of Meghalaya.

Jaintia Hills is one of the five districts of the state of Meghalaya with its headquarters at Jowai. It is the eastern-most district of Meghalaya comprising of four community development blocks, viz. Thadlaskein, Amlarem, Laskein and Khliehriat community development blocks. The district is bounded by the Karbi-Anglong district of Assam on the north, by Bangladesh on the south, by Karbi-Anglong and North Cachar Hills district on the east, and by the East Khasi Hills district on the West. The district spreads over an area of 3,819 sq. km. Each of the four community development blocks has atleast one bank office. There are seven branches of commercial banks in the whole district of which four are set up by the State Bank of India (S.B.I.)

and three by the United Bank of India (U.B.I.).<sup>3</sup> Besides, the Meghalaya Co-operative Apex Bank Limited has four branches in the district while the Regional Rural Bank (R.R.B.) has a total of eleven branches.

The average population per bank office works out to 17,332 as against the all India average of 13,000 and the state average of 10,000.<sup>4</sup> The banking network in the District is still very uneven. The State Bank of India is in possession of the Reserve of India India's licence. At present, the S.B.I. has four branches one each at Jowai, Dawki, Amlarem and Raliang. The United Bank of India (U.B.I) has three branches i.e. at Jowai, Ummulong and Khliehriat, while the Meghalaya Cooperative Apex Bank Ltd. (M.C.A.B.) has four branches one each at Jowai, Dawki, Nartiang and Khliehriat. The Regional rural Bank (Ka Bank Nongkyndong Ri Khasi Jaintia) has its eleven branches located at Jowai, Shangpung, Wapung, Umkiang, Khanduli, Lumshnong, Sutnga, Mookaiaw, Muktapur, Nongtalang and Rymbai.<sup>5</sup> In pre-independence days the district had major trade relations with the then East Bengal. But with the partition of 1947, the trade relation between the two regions was disrupted and the economy of Jaintia Hills District suffered a major setback.

### **Objectives and Scope of the Study**

One of the main objectives of bank nationalisation is the reduction in regional disparities. Hence, to analyse this aspect of commercial banking and to bring out the economic profile of the Jaintia Hills District on the basis of flow of credit in relation to some other economic indicators are

the two important objectives of this study. The banking system will have to play a vital role in reducing regional disparities in the State. The Banks should take the lead in the process of economic development.

It is also an attempt to find out whether steps are taken to utilize at least 70 percent of deposits collected in the district as generally suggested.<sup>6</sup> The Reserve Bank of India has of course fixed the credit-deposit ratio norm at 60 percent<sup>7</sup> for all banks in the country but we support the suggestion for 70 percent. As generally suggested another important objective of the banking system is to promote the rapid growth in agriculture and small scale industries. We, therefore, make an attempt to find out whether this purpose has been fulfilled.

#### **Methodology and Sources of Data Information**

So far no systematic study has been done in this field as far as Jaintia Hills District is concerned. For the study of this problem, the tool of regional development analysis is applied. The criteria of the average population per bank office, number of bank offices district-wise, credit-deposit ratio, and share in total deposits and credits, would be utilized. Our hypothesis is that the general notion that 70% of deposits collected in a particular district should be utilized within the district itself has not been implemented so as to remove regional disparity in the banking efforts to finance and promote economic activities in the district of Jaintia Hills.

The data collected were analysed with the help of relevant statistical

technique and subjected to appropriate economic logic to analyse the subject matter of our study and to test our hypothesis. The data were collected from the various official sources available in the Bank offices. The main source of our data were the annual reports of the Bank branches in the district as well as their respective headquarters in the state.

Enquiry was also made about the utilisation, repayment and other aspects relating to bank advances made by the different nationalised commercial banks in the District. The field data related particularly to the period from 1981 to 1989.

### **Significance of the Study**

The study would reveal a clear picture and significance because of the fact that district planning base has now taken special importance in planned development of our country. The study would also be significantly important as it would create a general awareness on the rural people for utilising bank services if they come to know about the activities and achievements of banking in the district. Another significance of the study is that it would try to identify the causes of the disparities of banking development in the backward district of Meghalaya.

### **Chapterisation**

The entire work has been divided into six chapters. After stating the scope, objectives and methodology of the study in this introductory chapter,

the second chapter discusses the administrative and the socio-economic profile of Jaintia Hills. In this chapter, we describe the geological set up of the district along with the natural resource endowments and agricultural activities of the local people. Besides we also deal with the infrastructural facilities that exist in the district together with the administrative structure. In the third chapter the economic importance of banks and banking policies have been discussed. This has been done with a view to showing the part played by banks in economic development particularly in the developing and under-developed economies of the world.

In the fourth chapter we discussed the banking development in Jaintia Hills district in Meghalaya. The chapter starts with the historical background of banking development of the state as a whole. Thereafter the development of banks in the district of Jaintia Hills has been dealt with in detail showing different types of banks established in the district as well as their respective achievements in deposit mobilisation and in credit utilisation within the district. This is a crucial chapter where credit-deposit ratios of each bank as well as that of all banks taken together have been focussed. We discuss the occupational distribution of bank credit also in this chapter.

In the fifth chapter, we review the District Credit Plans ever since it was introduced in the district for the first time in April 1974. The methodology followed in the compilation of the credit plan has been indicated along with the importance of such a plan. The allocations and the achievements under the credit plan for the Jaintia Hills district were reviewed. At the

same time the plan allocations were compared to the deposit mobilised as well as the over-all advances made by all the banks in implementing the credit plan in the district.

The final chapter outlines the summary of the findings in the earlier chapters and conclusions on the basis of these findings are made.

### Notes and References

1. Banking and Development, Report of an International Seminar, Reserve Bank of India, 1970, Bombay.
2. Desai, Vasant, Development Banking, Issues and Option, Himalaya Publishing House, Bombay, 1988.
3. The fourth branch has been established at Nongbah village.
4. District Credit Plan for Jaintia Hills District (1983-85), p.21 and Basic Statistics of North Eastern Region (1987), p.112.
5. The twelfth branch has been established at looksi village while the thirteenth at Barato village.
6. See A.C. Minocha, "Role of Commercial Banks in Regional Development: A Case Study of Madhya Pradesh" in The Indian Economic Journal (Conference Number 1974, Vol.22, No.5), p.279.
7. Information collected from the Regional Office of the State Bank of India, Shillong.

**Chapter II**

**ADMINISTRATIVE AND SOCIO-ECONOMIC PROFILE  
OF JAINTIA HILLS**

## Introduction

Jaintia Hills is the eastern most district of Meghalaya and covers a geographical area of 3819 sq. km. It lies approximately between east longitude  $91^{\circ}54''$  and  $92^{\circ}45''$  and between north latitudes  $24^{\circ}58'$  and  $25^{\circ}45'$ . It is bounded on the north and the east by <sup>the</sup> State of Assam, on the south by Bangladesh and on the west by the East Khasi Hills District of Meghalaya. Out of its total geographical area of 3819 sq. km., Thadlaskein development block covers an area of 639 sq. km., Amlarem 398 sq. km., Laskein 716 sq. km. and Khliehriat 2066 sq. km. as per 1981 census.

Jaintia Hills gently slope down towards Brahmaputra valley of Assam in the north and overlook the gentle plains of Bangladesh in the south. Towards the east they enjoin with the North Cachar Hills of Assam and towards the west, they join with the Khasi Hills which gradually rise up till they reach the Shillong peak forming the highest elevation of the Meghalaya plateau. The Maryngksih peak on the south eastern sector of Jaintia hills has an elevation of 1631 metres from the sea level and is the highest peak in the district. This is comparable with the altitude of 1967 metres in the case of Shillong peak in the Khasi hills and 1515 metres in the case of Nokrek peak in Garo hills.

The mean elevation of the district from the sea level is approximately 1000 metres. Jaintia hills present a rugged rising terrain where hills are generally flat-topped rising upto a height of around 1200 metres mean sea level. Deep gorges and narrow valleys carved out by the Umngot, the Myntdu, the Lukha, the Myntang and a number of other turbulent rivers, characterise

the topography.

In this chapter, we depend on the data and materials provided by the District Credit Plan 1983-85 of the State Bank of India as the Lead Bank for Jaintia hills district of Meghalaya, the District Annual Plan 1989-90 and Census Reports. Besides, personal collection of data from the district offices concerned as well as from the offices of the Community Development Blocks in the respective block headquarters <sup>was also made.</sup> Other sources of data are indicated wherever they are used in this chapter.

### Demographic Situation<sup>1</sup>

The population of the district as per 1981 census is 11,56,402 out of which, 1,43,479 accounting for 91.74% is the rural population. The population of Scheduled Tribes is 1,48,710 and accounts for 95.08%. The number of persons belonging to Scheduled Castes and others is only 4.92% of the total population in the district. The growth rate of population during the decade 1971-81 was 37.72%. The number of male population is 79,052 while the female population is 77,350. The sex ratio of the district according to 1981 census is 978 males per 1000 females.

The total number of workers in the district according to the last census is 77,319 out of which 50,620 are cultivators, 8,755 are agricultural labourers, 475 are household industrial workers and 16,463 are other workers. The number of marginal workers has been indicated as 880, while non-workers are 79,203. Table 2.1 below shows the occupational structure of population in Jaintia Hills :

**Table 2.1**

## Occupational Structure 1981

Sl. No.	Category of workers	Total No. of workers in the state	Total No. of workers in Jaintia Hills	Percentage of total workers in the state
1.	Total main workers	5,80,200	76,319	13.15
	Cultivators	3,69,010	50,620	13.72
	Agricultural labourers	57,899	8,755	15.12
	Household Industry, manufacturing and processing	5,862	475	9.77
	Other workers	1,54,449	16,463	16.66
2.	Marginal workers	33,221	880	2.65
3.	Non-workers	7,22,372	79,203	10.96

**Source :** Census of India, 1981.

### **Geology**

The general geological set up of Jaintia hills is similar to that in other parts of Meghalaya and is characterised by the presence of rock type belonging to different ages from Achean to Tertiary.

### **Climate**

Similar to Khasi hills in the west, Jaintia hills has a pleasant climate.

It receives a heavy rainfall of the order of 2600 mm per annum. Rainfall is very heavy during the south-west monsoon which usually starts from the middle of May and ends upto the last part of September. Jowai, the headquarters of the district has a rainfall of 3212 mm during the year 1983 as against 9773 mm received by Cherrapunjee, the wettest place in the world and situated in the adjoining East Khasi hills during the same year.

The mean minimum and maximum temperature recorded at the Jowai town during the year 1984 is 8°C and 26°C, respectively. The topography and climatic conditions of the district favour the cultivation of paddy in the middle and northern parts of the district while the southern part or War area is suitable for growing citrus fruits like oranges, arecanut, lemon and betel leaves.

## **Natural Resources<sup>2</sup>**

The district is richly endowed with natural resources. The various natural resources of the district are given below :

### Land Resources

Jaintia hills being a part of the Meghalaya plateau has its physiological features almost similar to the Khasi hills. The only little difference is that Jaintia hills has comparably more flat lands than Khasi hills. The soil of the district is mostly real loam and generally acidic in nature, comparatively rich in organic matters and nitrogen but poor in phosphorus and

medium in potash content. The upland plateau regions of all the four community development blocks generally have loamy soil, while the border areas in the north and south have clay soil.

#### Forest Resources

The heavy and long monsoon supports a luxuriant growth of forest over the plateau and deciduous forest along its fringe areas against the plains. The total area under forest being 1,08,212 hectares accounts for 28.34% of the total geographical areas of the district. The break-up of forest area according to the community development blocks is given in the following table :

**Table 2.2**

Block-wise Break-up of Forest Area in Jaintia Hills

Sl.No.	Name of the Block	Forest Area (in hectares)
1.	Thadlaskein	8,500
2.	Amlarem	11,500
3.	Laskein	14,561
4.	Khliehriat	73,651
Total		1,08,212

Source : Government of Meghalaya, District Annual Plan (1989-90)

The major forest area occurs in the eastern margin of the Khliehriat community development block which represents 68% of the total forest area of the district. The major portion of the forest area (approximately 80%) is under the control of the District Council and the royalties accruing from the forest produce are considerable. The major forest products are timber and bamboo. The other forest products comprises of cane, medicinal plants, charcoal, pine wood, resin, etc. Bay leaves also grow in the southern region of the district. The large scale felling of trees for timber, fire woods, jhum cultivation, etc. is giving rise to the problem of poor water retention, soil erosion and reduced soil fertility.

#### Mineral Resources

The district has rich coal deposits particularly in Bapung, Lakadong, Chyrmang and Musiang Lamare areas. Coal deposits have also been found in Sutnga, looksi, Jarain and other areas. The total coal deposits in the district has been estimated at 39.25 million tonnes. The estimated deposit consists of good quality coal and also of non-cooking quality coal.

The district is also richly endowed with limestone deposits which are spread over Lumshnong, Nongkhlieh, Nongtalang, Sutnga, Lakadong and Syndai areas. The total estimated deposit of limestones in the district is around 1150 million tonnes which consists of chemical and cement grade and also of dolomitic limestone.

Besides coal and lime, the district is also known for its deposits of fine clay at Larnai which is of refractory quality and is suitable for fire bricks. Nodules of phosphorites, a fertilizer mineral, have also been found in the district.

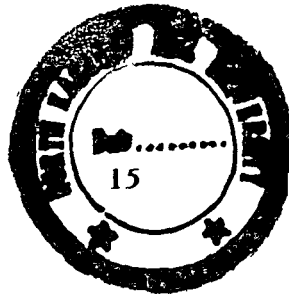
### **Hydro-Electric Potentials**

Jaintia Hills is also endowed with hydro-electric potentials. The Kupli Hydro electric project lying in the border between Jaintia Hills district and North Cachar Hills district of Assam is almost completed. Investigation for Hydro-Electric project at Leshka in Myntdu river is now underway.

### **Ecology and Environment**

In the past, Jaintia Hills was blessed by a rich flora and fauna, but these are slowly fading away due to wanton destruction of forest and the wild life. The traditional practice of jhum cultivation prevalent in the district is a problem yet to be solved. The present practice of large-scale and unscientific mining of coal in the district is also adding to the ecological and environmental problems. The solution to this problem may be only through effective and extensive afforestation. Soil and water conservation programmes, wild life protection measures, scientific exploitation of mineral and also the education of the people to honour and to protect their natural surroundings and public awareness and participation are the most essential steps that should be undertaken for the success of protection of ecology and

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environment.

### **Transport and Communication**

Jowai the headquarters of the district is connected with Shillong and Silchar by the National Highway-44. All the four community development block headquarters in the district have also been connected by surfaced roads. Important places connected by metalled roads are Khanduli in the north, Garampani in the north-east and Dawki in the south. Khliehriat village which is growing into a township lies on the National Highway-44 on the Jowai-Badarpur road. Jowai is also recently linked with Shillong by STD telephone facility.

### **Administrative Set-Up<sup>3</sup>**

At the time of formation of the State of Meghalaya in 1972, Jaintia hills was part of the erstwhile United Khasi-Jaintia Hills district with the status of a civil sub-division. It was upgraded into a full fledged district on 22nd February, 1972. At present it has three sub-division, viz., Amlarem Civil Sub-division, Khliehriat Civil Sub-division and the Jowai Sadar Sub-division. There are four community development blocks viz. Amlarem, Laskein, Khliehriat and Thadlaskein.

The administrative head of the district is the Deputy Commissioner, who has overall responsibility for the law and order and for all development activities. The district has a Planning Board and a Planning Officer who

is also the Additional Deputy Commissioner. The Deputy Commissioner is also directly involved in the preparation of the District Plan by virtue of his being a member of the District Planning Board.

The jurisdiction of the civil district coincides with the jurisdiction of the Autonomous District Council both having their headquarters at Jowai. The Jaintia Hills Autonomous District is a constitutional body set up under the Sixth Schedule of the Indian Constitution. The Council with 22 members has an Executive Committee consisting of the Chief Executive Member and a few Executive Members and Deputy Executive Members. The Council has also its Chairman and Deputy Chairman.

The District Council has the power of managing the internal affairs of the Tribes of the district relating to their customs, land rights, education, etc. All professional and land taxes etc. are administered by the District Council. There are 17 Dolos at present in Jaintia Hills. At the village level the administrative structure composed of a village durbar with elected people of the village. The function of the village durbar mainly relates to the settlement of disputes arising out of lands, family feuds, etc.

Police Station - There are eight police stations/out posts in the district. The community development block-wise distribution is given below :

**Table 2.3**

## Police Stations/Out-Posts in Jaintia Hills

Sl.No.	Name of Block	No. of Police Station/Out-Posts
1.	Thadlaskein	3
2.	Amlarem	2
3.	Laskein	1
4.	Khliehriat	2

**Source :** State Bank of India, District Credit Plans (1983-85) and Annual Action Plan 1983, Jaintia Hills.

**Socio-Economic Condition**

As in the case of the State as a whole, the district of Jaintian Hills is very backward in the context of the available socio-economic indicators. Agriculture and allied activities consists of the prominent sector in the district economy. The percentage of total population engaged in agriculture is very high. The low productivity and the sluggish growth of the secondary and tertiary sectors indicate that the economy of the district lacks in diversification. The road communication facilities in the district are poor. The pace of rural electrification is very slow. The percentage of literacy in the district is the lowest in the State.

Inspite of the inadequacy of data, the indicators given in table 2.4 below as compared to the state and the country as a whole reflect on the socio-economic situation of the district :

**Table 2.4**

Socio-Economic Indicators of Jaintia Hills

Indicators	Year	Jaintia Hills	Meghalaya	India
1. Population (in lakhs)	1981	1.56	13.35	66.53**
2. Density per sq. km.	1981	41	60	216**
3. Decadal growth rate	1971-81	37.72	32.04	24.76**
4. Rural population as percentage	1981	91.74	82	16.3**
5. Sex ratio females/thousand males	1981	976	954	934**
6. Literates as percentage to total population	1981	24.5	34.08	36.23**
7. Scheduled tribe population as percentage to total population	1981	95.08	80.58	3(1971)
8. Scheduled caste population as percentage to total population	1981	0.03	0.41	15(1971)
9. Total workers as percentage	1981	49.35	45.92	33.44

Table 2.4 (cont'd.)

Indicators	Year	Jaintia Hills	Meghalaya	India
10. Cultivators as percentage to total workers	1981	65.58	62.56	41.58**
11. Agricultural labourers as percentage to total workers	1981	11.34	9.98	24.94**
12. Non-agricultural workers as percentage to total workers	1981	23.08	27.46	33.48
13. Cultivated area as percentage to total geographical area	1984-85 (Provisional)	15	8.58	47.4 (1977-78)
14. Net area irrigated as percentage to net sown area	1981-82	8.92	25.76	26.55 (1977-78)
15. Percentage of villages electrified to total number of villages	1982-83	41.54	20.36	66.2
16. Bank credit as percentage to total deposits	1983	28.22	22.23	69.04 (1974)
17. Forest area as percentage to total geographical area	1982-83	12	37.8	23 (1984-85)
18. Road density per 100 sq.km.	1985	-	22.57	49

\*\* Figures excluding Assam.

Source : District Annual Plan Jaintia Hills (1989-90)

### **Marketing**

Marketing of agricultural and other produce is still under-developed. The absence of marketable surplus is one of the reasons for this. The items coming into the district are mainly essential commodities like food-grains and other consumables while the major products going out of the district are timber, coal and citrus fruits. Of late, market for potato has also developed in the district and the Meghalaya Co-operative Federation (MECOFED) has been directed by the Government to procure the crop at support prices to encourage the farmers to produce more as also to arrest distress sale by the growers. Jowai is the only market in the district where most of the essential commodities are available. There are 23 weekly markets in the district of which none are regulated. As such, marketing facilities in the district is inadequate.

### **Trade and Commerce**

The most important trade centre of the district is Jowai which serves as the entry point for almost the entire area of the district except Dawki area which has direct trade link with Shillong because of better road communication. Of late, the trading activities are also picking up at Khliehriat mainly due to coal-mining activities where a large number of labourers are employed.

### **Agriculture**

Agriculture is the mainstay of the people. Cultivators and agricultural labourers constitute 78.63% of the total working force. However, the

activity being largely confined to subsistence farming, the productivity is very low. The district has a total cultivated area of 45,126 hectares out of which 3,293 hectares are double-cropped. The principal crops of the district are paddy, maize, potato and turmeric which account for 57% of the total cultivated area. The other important crops are arecanuts, betel-leaves, potato and citrus fruits.

A large percentage of cultivated area is still under jhuming and shifting cultivation. Of the four community development blocks, Khliehriat accounts for the highest percentage in this respect while an accurate estimate of the area under jhum is not possible. It may roughly be estimated at about 38% of the cultivated area. Considering the ill effect and low output of jhuming, attempts are being made to motivate the farmers to change over from jhuming to terrace cultivation. The Government departments have also undertaken various jhum control measures.

### Irrigation

The irrigation facilities in the district are not adequate. Out of the total cultivated area of 45,126 hectares, the irrigated area is only 15,945 hectares which accounts for about 33% of the cultivated area. The sources of irrigation are rivers, streams and rainfall. In the absence of ground water survey, no initiative has so far been taken for tube wells, deep wells and other modern methods of irrigation. The only method of irrigation is flow irrigation. In this system, water is diverted into the fields by channels through

which water flows by the force of gravity. Private pumpsets are used in the low lying areas bordering Bangladesh and in certain parts of Thadlaskein Community Development Block. Pumpsets are being used in Thadlaskein, Khliehriat and Dawki areas of Amlarem Community Development Blocks.

### Cropping Pattern

The major crops of the district is paddy. It is grown throughout the district from the plain areas bordering Assam and Bangladesh to the high altitude regions. The varieties grown, therefore, widely vary from region to region because of altitude and climate. The high yielding varieties are found to grow successfully in low altitudes ranging from 700 metres to 1300 metres. The improved varieties selected locally such as Nogoba and Rylow White are found to give much higher yield compared to local varieties for areas above 1300 metres. A locally selected variety viz. Upper Shillong is found to perform much better than other local ones. The total area under paddy (excluding jhum) is 19,484 hectares. Block-wise break-up in hectares are given in the following table :

**Table 2.5**

Block-Wise Total Area Under Paddy

Sl.No.	Name of C.D. Block	Areas (in hectares)
1.	Thadlaskein	7910
2.	Amlarem	893
3.	Laskein	3150
4.	Khliehriat	7531

**Source :** State Bank of India, District Credit Plan 1983-85 and Annual Action Plan 1983, Jaintia Hills.

Maize is the next important crop which is grown mainly in Thadlaskein and Laskein Community Development Blocks.

Potato is grown in the high altitude regions. The total area under potato is 850 hectares, the community development block-wise distribution being 680 hectares and 170 hectares in Thadlaskein and Laskein blocks respectively. In Khliehriat and Amlarem blocks, potato is not cultivated on commercial scale. For better yielding and quality, improved varieties like Kufri Jyoti have been introduced and getting popular among the farmers. Seeds are also supplied at subsidised rates at selected pockets.

Turmeric is grown commercially in Laskein, Khliehriat and to some extent in Thadlaskein block. The total area under turmeric cultivation is 1050 hectares as per figures obtained from the District Agriculture Department.

Arecanut and Betel-Leaves are grown in the Dawki belt of Amlarem block and low lying areas of Khliehriat block. The total area under arecanut is 686 hectares and that under betel-leaves is 1150 hectares.

Although the area under these crops are sizeable, there is not much scope for new plantation in view of the restricted trade with Bangladesh which is the main market for the products.

Vegetables like cabbage, couliflower, tomato, raddish, carrots, french-bean, etc. are generally grown in all the community development blocks mainly for domestic consumption. Some quantity of marketable samples is sold in

the weekly market. Approximate area under vegetables is roughly around 400 hectares.

### Horticulture

The soil and climatic condition of the district are suitable for growing different types of fruits. The main horticulture crops are citrus fruits predominantly orange known as "Khasi Mandarin", lime, lemon, pine-apples and bananas. Oranges grow well in the southern area bordering Bangladesh in Amlarem community development block and around Raliang in the Laskein Community Development Block. The total area under horticulture in the district is 1320 hectares out of which 750 hectares is under orange plantation alone. The block-wise area under orange is given in the following table :

**Table 2.6**  
Area Under Orange Plantation

Sl.No.	Name of C.D. Block	Area (in hectares)
1.	Amlarem	420
2.	Laskein	180
3.	Khliehriat	160
Total		750

**Source :** State Bank of India, Annual Action Plan 1983-85

Pineapples grow well in the southern area (War Jaintia Region) bordering Bangladesh in Amlarem Block while in Khliehriat and Laskein Blocks, its cultivation is small and scattered. The total area under these crops is 207 hectares, the major share of which is in Amlarem Block. Although banana grows in all the four Community Development Blocks, its cultivation is scattered and mainly for domestic consumption.

The dwindling trade across the border with Bangladesh is primarily responsible for the decline in horticultural crops which at one time found ready market across the border. As fruit crops are highly perishable, these could hardly be stored for four days after harvest. Even though Shillong is the great potential market, lack of cheaper mode of communication does not permit the grower to transport and sell the products at economic price. In the light of what has been stated it would be possible to commercially developed horticulture primarily in Amlarem C.D. block provided the Government either starts a fruit preservation centre or arranges for lifting of the crops after harvest at the fruit-growing areas at support prices.

### Sericulture

The rearing of both mulberry and eri-silk worms is gaining momentum in the district particularly in Thadlaskein C.D. block. As a subsidiary occupation, it could be taken up as a good source of income. The sericulture Department has three mulberry seed farms located around Ummulong in Thadlaskein C.D. block. The installation of a reeling unit at Ummulong is

in progress. The department proposes to supply 60,000 sapplings and raise 10,00,000 sapplings of mulberry at Nartiang. However, as weaving is not popular among the people of the district, the activity may not be a profitable source of income.

#### Other Agricultural Activities

Other important agricultural activities undertaken by the people of the district are described as follows :

Dairy - Excepting a 2000-litre capacity chilling plant at Jowai and a 100-litre capacity plant at Latyrke, there is no organised dairy in the district. The Sutnga area in Khliehriat C.D. Block is a very suitable area for the establishment of a Dairy plant. At present the Sutnga area is the only source for the procurement of milk. Nartiang area is proposed to be explored in the near future. Owing to the transport bottleneck even the Jowai chilling plant is not fully utilized. To improve this profitable activity, it is essential to tap other areas like Raliang-Garampani area for the procurement of milk. At present, this business is mainly handled by the Nepalis. Considering the demand for milk and milk products, the establishment of a few dairy units in the district is considered economically feasible.

Piggery - Pig rearing is a traditional activity of the people in all the four community development blocks and pork is very much relished by the local population. It can be safely assumed that market for pork will

never decline. Apart from local consumers, there is huge demand for pork in the Shillong market. The advantage of rearing pigs is that feed cost and maintenance cost are comparatively less. The present pig population of the district is 24,173. The C.D. block-wise break-up is given in the table below:

**Table 2.7**  
Pig Population in Jaintia Hills

Sl.No.	Name of C.D. Blocks	Number of pig heads
1.	Thadlaskern	1962
2.	Amlarem	2841
3.	Laskern	11661
4.	Khliehriat	7709

**Source :** State Bank of India, Annual Action Plan, 1983

Although local block pigs are preferred, the exotic cross-bred variety may be introduced to increase the income of the people. Piggeries could be encouraged near the urban and semi-urban settlements such as Jowai, Dawli, Khliehriat and Raliang areas for better veterinary facilities and ready market.

Fishery - Among the Jaintias, fish is relished next to pork. In the absence of requisite infrastructure, pisci-culture has not developed to the

desired extent. Indian major carp thrives in low altitude areas whereas the higher altitudes are suitable for common carp. But pisciculture is not a profitable venture, keeping in view the investment involved. Although the infra-structural facilities are inadequate, pisciculture in ponds and small river dams in the low lying areas of the C.D. blocks is possible to a limited extent. The government also has been encouraging this type of activity by providing extension services and supplying fingerlings to the extent possible.

#### **Power Supply**

At present the district gets its power from Umiam Hydro-Electric Project situated in East Khasi Hills district. There are two main sub-stations in the district situated at Jowai and Khliehriat. Out of a total of 436 villages in the district, 109 villages have been electrified. Electricity is being extended presently to another 35 villages in the district.

#### **Health Facilities**

Jaintia Hills District has one Government Hospital and one Christian Mission Hospital both being established at Jowai, the headquarters of the district. Apart from this, there are five Primary Health Centres in the district one at Thadlaskein C.D. Block, two in Amlarem C.D. Block and one each in Khliehriat and Laskein C.D. Blocks.

#### **Veterinary Facilities**

All the four C.D. Blocks of the district have Veterinary dispens-

saries. The C.D. block-wise distribution is given below :

- |    |             |   |                            |
|----|-------------|---|----------------------------|
| 1. | Thadlaskein | - | (i) Thadlaskein (ii) Jowai |
| 2. | Laskein     | - | (i) Laskein (ii) Shangpung |
| 3. | Amlarem     | - | (i) Amlarem                |
| 4. | Khliehriat  | - | (i) Khliehriat (ii) Sutnga |

Besides these, there are nine veterinary aid centres and two mobile dispensaries at Jowai and Amlarem. For artificial insemination, cross-bred bulls are available for natural service in certain sub-centres under the key village scheme.

### **Post and Telegraph Facilities**

The post and telegraph facilities in the district are available at a very few places. There are 45 branch/sub-post offices serving a population of 1,55,993. Out of 456 villages, 27 villages are covered by the postal network. There is one telegraph office and telephone exchange each at Jowai and Dawki.

The fore-going discussion has shown that Jaintia hills is richly endowed with natural resources and has therefore rich development potential. But the absence of thorough communication system and marketing facilities are the great inhibiting factors that stand in the way of proper exploitation of its natural resources.

The exploitation of the rich resources of the district and their proper

utilization in the development of agro-based, forest-based and mineral-based industries as well as tourism, would greatly accelerate the tempo of economic development of the State. For this purpose banking facilities are required to be extended to help not only the business and industrial entrepreneurs but also the agriculturists in the district. The spread of bank branches in the district by the Lead Bank and by other banks including the State Co-operative Apex Bank Limited is, therefore, very necessary to enable its people to take advantage of the modern banking facilities. In fact, Jaintia hills district provides a very good potential for deposit mobilisation and it is expected that the major portion of the bank deposit would be invested within the district.

#### **Notes and References**

1. Census of India, 1981
2. Government of Meghalaya, District Annual Plan (1989-90)
3. State Bank of India, District Credit Plan (1983-85) and Annual Action Plan, 1983, Jaintia Hills (Meghalaya), Shillong Regional Office.

**Chapter III**

**THE ECONOMIC IMPORTANCE OF BANKS  
AND BANKING POLICIES**

1

In this chapter we propose to recapitulate the economic importance of banks and banking policies.

### **Economic Importance of Banks**

The banks are an important part of the economic system. Joseph A. Schumpeter was one of those earlier economists who emphasized on credit by the banks in his model of economic growth. According to Schumpeter, the entrepreneurs secure funds for their projects from credit creation in the banking system. In other words, the entrepreneurs carry out innovation according to the Schumpeterian model, with the help of finance obtained from banks. This bank credit enables the entrepreneurs to obtain productive resources before they have acquired a normal claim over them. Thus, credit creation becomes an important part of the economic development model and, therefore, economic growth necessarily becomes an uneven process because investment can be increased quickly through bank borrowings.<sup>1</sup>

According to Schumpeter, "Forced Savings" are an important source of capital accumulation.<sup>2</sup> The increase in investment financed out of bank credit, leads to greater demand for capital goods which result in the diversion of resources from the production of consumer goods to the production of producer goods and, thus, the economy is forced to save more.

It can now be said that banking is the base for economic development. The special interest of the economists in the activities of banks is due to the monetary nature of the deposit liability of the banks.<sup>3</sup>

The activities of the banks are of direct interest to the entrepreneurs

who use them and who work in them. People in general and the businessmen in particular use the banks for the purpose of making payments and as sources of loans. In both these functions, banking efficiency is highly desirable. The function of the banks as sources of loans for entrepreneurial purposes involves the society's interest in the distribution of the resources that can be devoted to adding to the real capital of a nation. There lies the community's interest in banks because by their operations they can 'effect the monetary situation', in the sense of the availability of purchasing power. That is to say, the activities of the banks influence the pressure of total demand for goods and services.<sup>4</sup>

The extent to which the community's productive resources are employed, and to some extent the prices, the wages, etc. at which they are implied, and the general level of prices are all, to greater or less extent, influenced by the pressure of total demand being exerted at any time. Hence the bank's activities, because they have effect on the monetary situation, have some bearing on the broad functioning of the economy in the sense of the degree to which its productive resources are employed and the behaviour of the price level. This influence, whether great or small, is generally accepted and this is why economists have an interest in banking beyond their general interest in any form of business activity. The above has clearly indicated that the important economic aspect of banking is in the creation of readily available purchasing power by the exchange of the bank's promises against the promises of the borrowers. It is here that the economists pay much impor-

tance by referring to the 'liquidity' of the banks. They say that the exchange of promises between the banks and borrowers has increased liquidity in the economy.<sup>5</sup>

In a community that has reached a high degree of financial sophistication and where credit is elastic, it may encourage the community's willingness to spend being influenced more by the activities and by credit practices of banks and other financial institutions. Thus, the business of the banks must remain at the centre of discussion of the monetary influences on the country's economic activity.

In this work we have always kept in mind the economic importance of banks which persists alongwith their changing behaviour and role both in the developed and developing countries of the world. But what is equally important is the changing policy of commercial banking in the country with varying levels of economic development and growth. We are, however, concerned in this attempt with the policy of commercial banking in a developing country particularly their role in regional development.

The success of economic development depends essentially on the extent of mobilisation of resources (both internal and external) and investment on the operational efficiency and economic discipline displayed by the various segments of the economy. At a time when the prospect of foreign aid and assistance are dim, one has to rely upon internal resources for economic development. It has, therefore, been rightly emphasized that the rate of investment, to a large extent, depends upon the mobilisation of internal

savings. The mobilised savings are employed in a productive manner, so that the economy may be on the move. Since independence and more particularly since the commencement of planned development, the Indian economy has indeed moved rapidly forward in several directions.

### **Banking Policies**

Traditionally a bank's attempt was to attract to itself a larger share of the total business. But this total business of the banks is not without limit. The liquidity rules prevent them from creating more and more deposits. The liquid assets of a bank covered by the rule include some claims of commercial origin, but variations in this are now relatively small and can easily be compensated, deliberately or otherwise, by changes in the total of the Treasury Bills that now-a-days form the most important part of the total of liquid assets. The same argument applies to the Money-at-call or loans to the discount market depends upon the availability of this liquid assets. The availability of liquid assets for the bank thus depends upon the total availability of bills of exchange, approved export credits, and Treasury Bills.<sup>6</sup>

### **Banking Policy in Under-Developed Countries**

The above elements of policy in commercial banking has been the legacy of the banking system in England which can be found also in the banking system of other countries. However, the liquidity rules vary from one country to another. In many countries the rules have legal force while there is lack

of legal sanction in England. In India, banking development and currencies inherited the colonial banking administration of England or the banking system of the English type.

Nevertheless, in the post 1945 periods, special interest has been attached to economic growth in the under-developed countries and, therefore, to the influence and adequacy of their banking system in facilitating economic growth. It is important to emphasise at once that the term banking system itself, borrowed from the more developed countries, is not realistic in most of the under-developed countries. In these countries it is more usual to find banks scattered more widely but still leaving greater track of the country unprovided.

This position is, however, changing fast and with the spread of savings-bank business with high interest rates and other attractions, the banks are gradually becoming widely known and more widely used for all kinds of business. However, until recent times, in under-developed countries, a rise in the total bank deposits may simply denote a spread of the banking habit or it may mean that wealth has been transferred from those who used notes to those who hold their balances in bank deposits.<sup>7</sup>

### **Banking Policy in India**

The structure of the Indian banking system evolved in the pre-independence years with a little purposive control and direction. The position changed significantly after independence. The Banking Regulation Act 1949 conferred

on the Reserve Bank a wide range of regulatory and supervisory power relating to the establishment of a bank and maintenance of certain minimum operating standard.

Since 1951, however, with the beginning of planned economic development, central banking policies and practices were needed to be at tune with the objectives and assumptions of the successive five-year plans. On 1st July, 1955, the State Bank of India (SBI) was constituted through the acquisition of the undertaking of the Imperial Bank of India. The constitution of SBI was conceived in the context of expanding banking facilities in rural and semi-urban areas so as to integrate within the net-work of rural credit institutions. Thus one of the public purposes for the constitution of SBI was the extension of banking facilities on a large scale more particularly in the rural and semi-urban areas.<sup>8</sup>

The character of the Indian banking system had further undergone a spectacular transformation since the nationalisation of 14 major commercial banks in 1969. Indian banking is no longer only an important mercantile operation but has also assumed the role of an active catalyst for the socio-economic transformation of the country. The most important phenomenon in the banking system of the country has been the expansion of banking in rural areas with the National Bank for Agriculture and Rural Development (NABARD) at the apex level. But majority of Regional Rural Banks which has initially raised high expectation as low cost institutions have proved to be non-viable.<sup>9</sup> But these issues are not within the purview of our analysis

and they need separate treatment.

Since the seventies, the bank has re-oriented the banking policy as an active instrument of growth and for servicing a progressive reduction in inequalities in income, concentration of economic power and regional disparities in banking facilities. As a result, the promotional aspect of banking policy has come into greater prominence. The branch expansion policy has been designed among other things as a tool for reducing inter-regional disparities in banking development and deployment of credit in urban-rural pattern of credit distribution. Commercial bank resources were directed to the priority sectors and for other purposes which prior to 1969 had not received sufficient attention from the commercial banks. Special emphasis has been laid on the economic uplift of the weaker sections of the society in the rural areas.

In order to encourage the commercial banks and other institutions to grant loans to various categories of small borrowers, the banks promoted the establishment of Credit Guarantee Corporation of India Limited in 1971 for providing guarantees against risk of default in payment.

In administering credit policy over the years, the bank has laid increasing stress on channelling of bank credit to preferred sectors and borrowers of small means with accent both on the quantitative and qualitative aspects. National target for advances to priority sectors as a whole with sub-target for weaker sections of the society have been laid down which must be obtained by the public sector banks within the prescribed period. The bank has also

stipulated that a major portion of the total deposits mobilised in the rural and semi-urban areas should be deployed in the respective areas. Banks in the public sectors have been asked to actively provide financial support for the implementation of the 20-point programme which aims at improving the economic development and well being of the identified weaker sectors of the community.

Commercial banks are both the repositories of the community's savings and the purveyors of credit for economic activity. They provide to savers a convenient avenue for investment of surplus funds and to investors a source of finance. Deposit mobilisation constitutes one of the two major functions of banking. Deposits are both a component of the economy's monetary stock and a part of the community's savings. As the level of the transaction increases in an economy, the proportion of deposits to national income also increases. Similarly as savings increases so also deposits. The level of deposits, therefore, is related to the level of money stock and is influenced by the factors affecting money supply. At the same time there are institutional factors also determining the level of deposits. In under-developed economies the proportion of financial assets (in relation to real assets) is low.

One way of making bank branches in the rural hinterland more profitable would be to use them not only as an agent for deposit mobilisation, but also as a channel for making credit available locally. This would convert the branches into earning units on their own rights rather than indirectly by the contribution which they make to the totality of resources at the disposal

of their head office for which frequently the accounting procedures do not give the outlying branches adequate credit. However, lending money in remote areas is not free from difficulties and risks. For various economic and social reasons the accepted view in India until a few years ago was that banking facilities for the rural areas and the agricultural sectors had better be a preserve of a Co-operative Bank. Briefly it can be said that the performance of commercial banks has been a mixed one. In some parts of the country they have done very well and in other parts their functioning has been far from satisfactory and indeed a continuing cause of concern to the Reserve Bank of India which has had special responsibilities for them and has been offering them refinance facilities at concessional rates.

Banking policy has now been made an integral part of overall economic policy which aims among other things, at maximising resource mobilisation and assisting wide diffusion of the benefits of economic growth. Nationalisation of major commercial banks which is part of this approach is regarded as a means to 'serve better' the needs of the community. It has made possible intensification of efforts to achieve more rapid expansion of banking facilities and more judicious and purposeful allocation of credit. With nationalisation, there is a direct commitment on the part of the State to fulfill the basic economic and social objectives. With over 80% of the banking business in the public sectors, it is an effective position to fulfill this commitment.

Such direct control by the Government has facilitated the taking of effective steps towards a massive programme of deposit mobilisation through

opening of branches on the one hand and a wide ranging credit deposit mobilisation through opening of branch on the other hand. An increase in the compass and depth of the activities of banks is possible through continuous and close coordination between the banks, the central and state governments at different levels. This takes the form among other things of making bank funds available from high priority use like buffer stocks of sensitive commodities and public utility programme without involving direct draft on limited budgetary resources. It also enables small men, including those located far away from centres of authority, to have access to credit. An integrated approach is also now possible in regard to the provision of credit, inputs and marketing facilities for agriculture by various official and private agencies.

### **Banking Policy in North East India**

The all-India banking policy might not serve the purpose of development in the North East Region (NER). The Planning Commission has stepped up the financial outlay for the region in the Seventh Five Year Plan to Rs,5,145 crores from Rs.1,020 crores in the Fifth Five Year Plan and Rs.3,093 crores in the Sixth Five Year Plan. While this has been the right step in the right direction, the role of the banking system is also of very crucial significance for bringing about the socio-economic development of the region and reducing the inter-regional imbalances in respect of the development process. But the credit-deposit ratio in the region was 45 percent towards the end of the year 1988 as against the national average of 66 percent. Besides, there

was a very large gap between the assistance sanctioned by the NABARD in this region and its actual utilization in as much as an amount of Rs.83 crores out of the sanctioned assistance was yet to be utilized.<sup>10</sup> The banking facilities already created in the region could play effectively if the basic problems of the region such as those relating to the development of agriculture are appreciated.

In the end, it may be said that if serious doubt have been expressed about the "viability" of regional rural banks, their role in the removal of regional disparities or in diverting a larger flow of credits to rural areas is a suspect. The chapters that follow would attempt to establish these doubts. With the introduction of a number of the Regional Rural Bank branches in the Jaintia Hills District since 1983, it is apparent that the national policy is to support the banks with determined efforts for rural development. Of course, the main objective in setting up the Regional Rural Banks is to breach the gaps left unfulfilled due to the failure of Co-operative Apex Banks on the one hand and Commercial <sup>Banks</sup> on the other, in disseminating adequate credit to rural sectors. the next chapter would investigate the performance of the existing banks in the district including the Regional Rural Bank.

#### Notes and References

1. Joseph, A. Schumpeter, The Theory of Economic Development, Oxford University Press, 1934, p.88.

2. Ibid.
3. R.S. Sayer, Modern Banking, Oxford University Press, Delhi, 1967, p.2.
4. Ibid., p.3.
5. Ibid., p.4.
6. Ibid., p.39.
7. Ibid., p.290-91.
8. See Section 16(5) of the State Bank of India Act, 1955.
9. Abdul Noorbasha and M. Jyoti, "Viability of Regional Rural Banks - A Case Study", in YOJANA, Vol.33, No.9, May 16-31, 1989, New Delhi.
10. A.R. Patel, "Developing North-Eastern Region through Banking" in YOJANA, Vol.32, No.21, November 16-30, 1988, New Delhi.

## **Chapter IV**

### **BANKING DEVELOPMENT IN JAINTIA HILLS**

In this chapter we propose to discuss the banking development in Jaintia Hills District. But before doing so, it is absolutely relevant to discuss as well the development of banks in the State as a whole.

### **Historical Background of Banking Development in the State**

The Institutional Financial Sector in the region now comprising the State of Meghalaya started in 1926 when the Imperial Bank, later known as the State Bank of India (SBI) was established in Shillong. It had no other office in the region until 28 February 1959, when one branch was opened at Tura, the then District Headquarters of Garo Hills.

Other bank offices that were in existence in Meghalaya in 1970 consisted of the United Bank of India (UBI) with four branches at Shillong, Mawlai, Nongthymmai and Jowai; the United Commercial Bank (UCB) with two branches established at Shillong on 23 March, 1949 and Cherrapunjee on 23 May, 1969; the Punjab National Bank (PNB) at Shillong established on 15 June, 1970; the Bank of Baroda at Shillong on 5 June, 1968 and the Central Bank of India at Shillong Cantonment established on 23 June, 1969.<sup>1</sup> Thus, the total number of Commercial Banks in the State in 1972 was 10 which works out to 0.09 percent of the total of Banks in the whole country which was 11,040.<sup>2</sup>

The Assam Co-operative Apex Bank Ltd. was established on 7 December, 1948, at Shillong. The Shillong Urban Co-operative Bank Ltd. was opened on 8 February, 1965. By 1970 the United Khasi Jaintia Hills had an average population of 56,000 per bank offices on the basis of the estimated population

in 1968. But all the Commercial and Co-operative Banks were concentrated in Shillong. In Garo Hills the average population per bank office worked out at 1.7 lakhs. thus, by 1970, in some areas of Meghalaya the nearest bank office was more than 60 to 100 kms. away. As institutional credit facilities are not available in most areas, people have to depend on Non-Institutional Sectors like Money-lenders, Mahajan, Businessmen, etc. to meet their credit requirement.<sup>3</sup>

The total deposit mobilisation made by different banks in the State during 1970 (upto September) and the total advances made by them during the same period are shown in table 4.1.

The table reveals that the credit deposit ratio for Meghalaya is very low as compared to all-India ratio while the ratio in Meghalaya was 52.11 percent during 1970, that for the country as a whole was 78.15 percent.

#### **Development of Banks After Statehood**

Meghalaya attained statehood on 21 January, 1972. By the end of 1971, there were in all 15 bank offices and after statehood, the number increased to 28, of which, 13 were in the rural areas. In 1983 and 1985 the number of bank offices were 95 and 122 respectively. The percentage increase district-wise of bank offices in the State during the period 1981-1988 is shown in table 4.2.

Table 41

Bank Deposits and Advances in Meghalaya (September 1970)  
(Rs. in lakhs)

Sl.No.	Name of the Banks	Deposits	Advances	Credit-Deposit Ratio (%)
1.	State Bank of India	620.93	289.03	46.55
2.	United Bank of India	343.22	48.13	14.02
3.	United Commercial Bank	84.14	5.68	6.75
4.	Bank of Baroda	12.98	1.22	9.39
5.	Punjab National Bank	16.86	1.53	9.43
6.	Central Bank of India	21.17	2.50	11.80
7.	Assam Co-operative Apex Limited	245.45	350.89	142.95
8.	Shillong Urban Co-operative Bank Limited	0.18	1.86	1033.33
	Meghalaya	1344.93	700.90	52.11
	India*	5698.50	4453.10	78.15

\* i) Figures for India are rupees in crores.

ii) For the Assam Co-operative Apex Bank Ltd. and the Shillong Urban Co-operative Bank Ltd., the figures relate to period upto June 1970.

Source : i) State Bank of India, Lead Bank Scheme, Survey Reports on United Khasi Jaintia Hills District (December 1970) and on Garo Hills (March 1971).

ii) S.G. Panandikar and D.M. Mithani, Banking in India (12th Edition).

**Table 4.2**

District-Wise Distribution of Bank Offices in Meghalaya during 1981-1988

Sl.No.	Name of the District	1981	1988	Percentage increase
1.	East Khasi Hills	37	66	78.4
2.	West Khasi Hills	2	16	350.0
3.	Jaintia Hills	5	18	260.0
4.	East Garo Hills	2	11	450.0
5.	West Garo Hills	13	23	76.9
Total		59	134	127.1

Source : i) Meghalaya Statistical Handbook, 1988.

ii) Basic Statistics, North-East India, 1982.

It appears from the above table that there was a tremendous increase of bank branches in all the five districts of Meghalaya in the period from 1981 to 1988. The reason might be due to the fact that the new district of West Khasi Hills and East Garo Hills created in 1976, had drawn due attention to the need for establishment of bank branches. The development of bank offices together with the amount of their deposits and advances in the State of Meghalaya as a whole during the period from 1979 to 1988 is shown in table 4.3.

**Table 4.3**

Development of Bank Offices in Meghalaya and their Credit-Deposit Ratio  
After Statehood (1979-1988) Rs. in lakhs

Sl.No.	Year	No. of Bank Offices	Deposits	Advances	Credit-Deposit Ratio (%)
1.	1979*	54	4753	702	14.77
2.	1980**	55	5019	706	14.07
3.	1981**	59	5415	999	18.45
4.	1982*	76	6649	1612	24.24
5.	1984*	113	8944	1988	22.23
6.	1985*	127	12670	3531	27.87
7.	1986*	132	15364	4211	27.41
8.	1987*	133	20388	4713	23.12
9.	1988**	134	24103	5072	21.04

\* As in December

\*\* As in June

**Source :** i) Basic Statistics, North-East India, 1982, 1985 and 1987.

ii) Meghalaya Statistical Handbook, 1982, 1984, 1987 and 1988.

The above table shows that alongwith the increase of bank offices, the deposit mobilisation of banks in the State as a whole increased tremendously. Their loan advances also appears to have increased from year to year. But the credit-deposits ratio appears to have fluctuated from year to year and has shown a decreasing trend from 1985 onwards. The picture does not appear to augur well for the State of Meghalaya.

After Meghalaya gained statehood in 1972 there was rapid increase of banks of different types in the State. The district-wise distribution of bank offices by types of banks during the period 1981 to 1985 is shown in the following table 4.4.

**Table 4.4**

District-Wise Distribution of Bank Offices according to types as on  
30 June 1981 and 31 March 1985

Sl.No.	Name of Districts	Rural		Semi-Urban		Urban		Metro- politan 1981-85
		1981	1985	1981	1985	1981	1985	
1.	East Khasi Hills	15	32	22	28	-	2	-
2.	West Garo Hills	2	13	-	-	-	-	-
3.	Jaintia Hills	5	16	-	-	-	-	-
4.	East Garo Hills	2	8	-	-	-	-	-
5.	West Garo Hills	9	17	4	6	-	-	-
Meghalaya		33	86	26	34	-	2	-

**Source :** Basic Statistics, North-East India, 1982, 1985.

The above table shows that there was rapid increase in both rural and urban and semi-urban banks during the period 1981-85. There was a tremendous increase of rural banks from 33 offices in 1981 to 86 in 1985 which works out to 160 percent. The increase occurs in each of the five districts of the State. In the case of semi-urban banks, there was an increase of 30.8 percent which occur only in the two districts of East Khasi Hills and West Garo Hills. There was no urban bank in 1981 but by 1985 two urban

banks were established. There was also absence of Metropolitan bank in the state.

By the end of June 1988, Meghalaya had 134 Commercial Banks which mobilised Rs.24103 lakhs as deposits and advanced Rs.5072 lakhs as bank credits. Thus, the credit deposit ratio for the State was 21.04 percent. District-wise break up of deposits, advances and the credit deposit ratio in the state as on June 1988 are shown in table 4.5.

**Table 4.5**

District-wise Break-up of Deposits, Advances and Credit-Deposit Ratio (%)  
in the State as on June 1988 - Rs. in lakhs

Sl.No.	Name of District	Deposits	Advances	Credit-Deposit Ratio (%)
1.	East Khasi Hills	20329	3836	18.86
2.	West Khasi Hills	471	295	62.63
3.	Jaintia Hills	1325	326	24.60
4.	East Garo Hills	355	160	42.07
5.	West Garo Hills	1623	455	28.03
	Meghalaya	24103	5072	21.04
	India*	127401	72659	57.03

\* Figures for India relates to 12.8.1988 and are rupees in crores.

Source : i) Meghalaya at a Glance, 1988.

ii) State Bank of India, Monthly Review, October 1988.

Though there was rapid increase of banks in the State during the period from 1970 to 1988 the credit-deposit ratio worsened as can be seen from the above table. The ratio was only 21.04 percent for the year 1988 (June 1988) which was far below that of All-India figure of 57.03 percent. This shows that there was huge amount of bank balances which flowed out of the State during the period.

The data on distribution of bank credit by occupation are given along with the amount outstanding from 1985 upto 1986 in terms of percentage is given in table 4.6.

**Table 4.6**

Distribution of Bank Credit in Meghalaya by Occupation as on  
December 1985-86 in Percentage

Sl.No.	Occupation	No.of accounts	1985 Credit limits	Amount outstan- ding	No.of accounts	1986 Credit limits	Amount outstan- ding
1.	Agriculture	44.5	11.7	10.2	59.2	36.5	36.6
2.	Industry	3.4	16.0	14.3	5.4	23.7	23.9
3.	Transport operators	2.4	19.2	18.1	2.5	14.0	12.8
4.	Personal loan and Professional services	12.6	14.2	15.0	11.5	8.9	10.0
5.	Trades	18.0	24.4	24.7	15.5	10.8	10.7
6.	All others	19.1	14.5	17.7	5.8	6.2	6.0

Source : Meghalaya Statistical Hand Book, 1987.

### **Banking Development in Jaintia Hills District**

Jaintia Hills District has been allotted to the State Bank of India (SBI) under the Lead Bank Scheme. But the first bank that was started in Jowai the Headquarters of Jaintia Hills in February 1970 was the United Bank of India (U.B.I.). By 1989, this bank had opened two more branches at Khliehriat in 1977 and at Ummulong in 1982.

The State Bank of India (SBI) was established at Jowai in 1974. By 1989 it opened three more branches at Raliang in 1978, at Dawki in 1984 and at Amlarem in 1984.

The Meghalaya Co-operative Apex Bank Ltd. was started at Jowai on 29 December, 1973. Thereafter three more branches were established at Dawki in April 1977, at Nartiang in June 1981 and at Khliehriat in June 1987.

The Regional Rural Bank (Ka Bank Nongkyndong Ri Khasi Jaintia) was first started in the district on 10 March, 1983, at Mookaiaw. By 1986, 10 more branches were established at Shangpung, Sutnga, Nongtalang, Umkiang, Khanduli, Lumshnong, Jowai, Rymbai, Muktapur and Wapung.

Thus, the total number of bank offices in the district including those of Rural Banks as on 1989 was 22. In our present survey we had taken the data relating to the total deposits mobilised and the total loan advances made during the period from 1981 to 1989 were collected except for the Regional rural Banks the data for which were collected from 1983 to 1989. The total deposits mobilised and the total loan amounts advanced by each

bank from 1981 to 1989 are shown in four tables (i.e tables 4.7, 4.8, 4.9 and 4.10) that follow along with the credit-deposit ratios for each year.

**Table 4.7**

Bank Deposits and Advances of the United Bank of India (1981-1989)  
(Rs. in lakhs)

Sl.No.	Year	Deposits	Advances	Credit-Deposit Ratio (%)
1.	1981	179.96	22.64	12.58
2.	1982	235.74	35.10	14.88
3.	1983	304.93	82.01	26.89
4.	1984	272.45	90.08	33.06
5.	1985	338.21	116.77	34.52
6.	1986	478.67	144.52	30.19
7.	1987	553.60	157.97	28.53
8.	1988	708.40	183.12	25.84
9.	1989	802.42	207.58	25.86
Total		3874.38	1039.79	26.84

**Source :** i) Field-work data.  
ii) District Credit Plan, 1990-91.

The credit-deposit ratio as given in table 4.7 has shown that though the ratios are too small yet the loan amounts advanced by the United Bank of India within the district have shown an increasing trend for the first five years 1981 to 1985. Thereafter, they decreased during the following four years 1986 to 1989. However, the credit-deposit ratios of the United Bank of India in the district are above the state figures during the entire period.

**Table 4.8**

Bank Deposits and Advances of the State Bank of India (1981-1989)  
(Rs. in lakhs)

Sl.No.	Year	Deposits	Advances	Credit-Deposit Ratio (%)
1.	1981	106.23	55.16	51.92
2.	1982	116.67	44.25	37.92
3.	1983	122.73	55.49	45.21
4.	1984	208.02	85.92	41.30
5.	1985	258.86	102.72	39.68
6.	1986	346.53	109.13	31.49
7.	1987	455.82	123.58	27.11
8.	1988	560.40	129.45	23.09
9.	1989	668.66	139.83	20.91
Total		2843.92	845.53	29.73

Source : Field-work data.

The data in table 4.8 show that the State Bank of India performed better than the United Bank of India in the matter of loans advanced within the district for the first six years but its credit-deposit ratios have shown a decreasing trend and by the seventh year (i.e. 1987) and onwards, its performance became less than the United Bank of India. The cumulative performance of the State Bank of India during the nine-year period by its credit-deposits ratio was 29.73 per cent as compared to 26.84 percent performed by the United Bank of India during the same period.

**Table 4.9**

Bank Deposits and Advances of the Meghalaya Co-operative Apex Bank Limited  
(1981-1989) (Rs. in lakhs)

Sl.No.	Year	Deposits	Advances	Credit-Deposit Ratio (%)
1.	1981	108.52	13.61	12.54
2.	1982	136.47	22.59	16.55
3.	1983	157.92	28.46	18.02
4.	1984	221.42	38.08	17.19
5.	1985	308.80	57.05	18.47
6.	1986	410.14	69.57	16.96
7.	1987	517.98	86.89	16.77
8.	1988	723.93	99.51	13.74
9.	1989	1024.28	140.04	13.67
Total		3609.46	555.80	15.40

Source : Field-work data.

The Meghalaya Co-operative Apex Bank Ltd. had performed much less than the two commercial banks, namely, the United Bank of India and the State Bank of India as its credit-deposits ratio as shown in table 4.9. Its performance also fluctuated from year to year and from 1985 onwards it shows a decreasing trend. During the nine-year period its cumulative performance was only 15.4 percent as compared to 29.73 percent performed by the State Bank of India and 26.84 percent performed by the United Bank of India.

**Table 4.10**

Bank Deposits and Advances of the Regional Rural Bank  
(1983-1989) (Rs. in lakhs)

Sl.No.	Year	Deposits	Advances	Credit-Deposit Ratio (%)
1.	1983	4.64	0.68	14.65
2.	1984	18.16	5.15	28.35
3.	1985	36.97	14.32	38.73
4.	1986	78.35	22.08	28.18
5.	1987	105.18	29.67	7.94
6.	1988	168.86	42.51	25.17
7.	1989	246.31	50.95	20.68
Total		658.47	165.36	25.11

Source : i) Field-work data.

ii) District Credit Plan, 1990-91.

The Regional Rural Bank was started in the district in 1983. Its performance was not up to the mark particularly in the year 1987, when its credit-deposit ratio was only 7.94 percent. In general, its performance during other years was comparable to the State figures except in 1985 when its credit-deposit ratio was 38.73 percent. As the figures for the State and India as a whole in respect of credit-deposit ratio, are available with us for the year 1988 only, we may now consolidate the data given in preceding four tables for 1988 in table 4.11 in order to enable us to compare them with the district figure.

**Table 4.11**

Bank Deposits and Advances in Jaintia Hills (1988)  
(Rs. in lakhs)

Sl.No.	Name of the Bank	Deposits	Advances	Credit-Deposit Ratio (%)
1.	United Bank of India	702.40	183.12	25.84
2.	State Bank of India	560.40	129.45	23.09
3.	Meghalaya Co-operative Apex Ltd.	723.93	99.51	13.74
4.	Regional Rural Bank	168.86	42.51	25.17
	Jaintia Hills	2161.59	454.59	21.03
	Meghalaya	241.03	5072	21.04
	India	127401	72659	57.03

\* Figures for India are in crores on Rupees as on 12.8.1988.

Source : i) Field-work data

ii) Meghalaya at a Glance, 1988.

iii) State Bank of India, Monthly Review, October 1988.

The banking institutions in the district of Jaintia Hills and the State of Meghalaya as a whole did comparatively bad as we compare the credit-deposit ratios given in the above table with the all-India figures. The data in the table reveal that it was the Meghalaya Co-operative Apex Bank Ltd. which made a poor performance. While the credit-deposit ratio for the district and the State as a whole was over 21 percent in 1988, the figure for the Meghalaya Co-operative Apex Bank Ltd. with four branches in the district was only 13.74 percent. However, the over all ratios for the district and for the State as a whole are far behind the all-India ratio of 57.03 percent.

The correctness of the above data has been corroborated by the Economic Survey made by the Government of India 1988-89.<sup>4</sup> According to that survey, Meghalaya had 89 public sector bank offices in the state which mobilised Rs. 226 crores as deposits upto June 1988 and advanced Rs.46 crores as bank credits during the same period. The survey also revealed that the credit-deposit ratio of the public sector banks for the State during the same period was 51.7 percent as compared to 58.61 percent for the country as a whole. The survey further revealed that the share of Priority Sector in bank credit for Meghalaya was 66.1 percent at the end of June 1987 as compared to 42.9 percent for the country as a whole. Thus, the poor performance of the State Co-operative Banks was responsible for the low credit-deposit ratio in the district. Nevertheless, the respective performance of the other banks also was not up to the mark and each of them was far away from the 70 percent credit-deposit ratio which we expect that a bank should utilise its

deposits within the district.

At this point if we consolidate the total deposits mobilised and the total loan advanced for the three banks during 1981 and 1982 and for all the four banks from 1983 to 1989, a clear picture can be seen as in table 4.12.

**Table 4.12**

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1981	394.71	91.41	23.15
1982	488.88	101.94	20.85
1983*	590.22	166.64	28.23
1984	720.05	232.24	32.25
1985	942.84	290.86	30.84
1986	1313.69	345.03	26.26
1987	1632.58	398.11	24.38
1988	2161.59	454.59	21.03
1989	2741.67	538.04	19.62
Total	10936.23	2618.86	23.83

\* Including Regional Rural Bank from 1983 onwards.

Source : i) Field-work data.  
ii) District Credit Plan, 1990-91.

The above table has shown us the overall picture of the credit-deposit ratios during the nine-year period from 1981 to 1989. It will be seen that the highest ratio of less than 31 percent was attained in 1985. In 1989 the

ratio was less than 20%. If we take the cumulative credit-deposit ratios during the entire period of nine years it was less than 24%. Thus the performance of banks in Jaintia Hills District was far less than the credit-deposit ratio norm fixed by the Reserve Bank of India.

### **Deposit Mobilisation**

Deposit mobilisation by banks in India has acquired greater significance in their new role in economic development and their growing obligations in the socio-economic fields. As both the banks established in Jaintia Hills are Nationalised Banks, people from every nook and corner of the district have full faith in these banks. Hence the two banks along with the State Co-operative Apex Bank Ltd. have made commendable performance in their deposit mobilisation. All the three banks made an increasing trend in their effort to mobilise deposit during the nine-year period of the study.

The United Bank of India (UBI) being the first bank which started in the district did better than the State Bank of India (SBI) and the State Co-operative Apex Bank Ltd. during the period from 1981 to 1987. There was a drop in its deposits from Rs. 304.95 lakhs in 1983 to Rs.272.45 lakhs in 1984 amounting to 10.7 percent. However, it still beat down the State Bank of India and the State Co-operative Apex Bank Ltd. by 1988. The State Co-operative Apex Bank Ltd. suddenly performed very well and beat the other two banks in deposit mobilisation. The State Co-operative Apex Bank Ltd. did notably well in 1989 by mobilising Rs.1024.28 lakhs thus leading

the two public sector banks far ahead.

But inspite of the excellent performance of the four banks in the district in respect of mobilisation of deposits, yet each of the bank did not utilise on the average, even 30 percent of the deposits collected within the district. The State Co-operative Apex Bank Ltd. did a poor performance in this respect by utilising within the district only about 15 percent of the deposits collected. Thus, the deposit mobilised by the State Co-operative Apex Bank Ltd. in Jaintia Hills must have been diverted to the other districts of the State. Of the two public Sector banks, the State Bank of India did better than the United Bank of India. The cumulative credit-deposit ratio in respect of the State Bank of India during the nine-year period was bout 30 percent while that of the United Bank of India was only about 27 percent. Obviously there was an outflow of bank resources from the district. The reasons for low credit-deposit ratio in the district might be due to the defective credit plan of all these banks. This is being investigated in the next chapter of this work.

The consolidated figures for all the banks in Jaintia Hills in respect of total deposits mobilised and total loans advanced for nine years from 1981 to 1989 has shown a credit-deposit ratio of less than 24 percent. In 1988 for which all-India figures is available, the credit-deposit ratio for the district was only 21 percent as against the all-India figure of 57.03 percent. This has further supported our conclusion that there was outflow of bank resources from the district.

**References**

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**Chapter V**

**DISTRICT CREDIT PLAN**

## Introduction

Credit Planning is very important for any developing economy. The basic tenet of credit planning is to utilise judiciously, productively and profitably the scarce resources. In India, credit planning involves credit creation not only in respect of Private Sector but also in respect of Government Sector banks. Credit Planning has several objectives by which the banking systems determine their policy of credit deployment. Although credit planning originated with the idea of linking banks' credit expansion with financial and fiscal targets incorporated in the plan, it also requires the banks to finance the comprehensive programmes of infrastructural development in the backward districts in India.<sup>1</sup> It is not possible for the banks to finance the entire cost of this programme, but they can fill the gap between the total cost and the resources raised by the State Governments. Moreover the efforts of an individual Lead Bank may be supplemented by other banks as well as the financial institutions.

Thus, a district credit plan is the development plan for the district consisting of technically feasible and economically viable schemes which can be taken up for financing by all the financial institutions operating in the district within the existing or marginally strengthened framework of infrastructure and other facilities during the credit plan period. "Technical feasibility" in this context means that the inputs, facilities and services required for implementing the schemes are available, markets exist for the resultant incremental outputs and there are no legal or social bars for undertaking the activity. On the other hand "Economic viability" means that the incremental money incomes generated would accrue to the borrowers who implement

the schemes and are large enough to repay the loans with interest in the normal period of banking operation.<sup>2</sup>

The District Credit Plan is based on the strategy of development suitable to a particular district taking into account its natural resource endowment, the principal economic activities and their potential for development. The plan is made comprehensive and integrated in the sense that the various schemes included in the plan cover all the major sectors of the economy depending upon their natural linkages. A credit plan thus is not a mere exercise in estimation of credit needs of an area on the basis of available data but a blue-print for action by banks and other financial institutions operating in the district.

### **Methodology**

With the above end in view, the District Credit Plan was introduced for Jaintia Hills District of Meghalaya for the first time in April 1974. The district was allotted to the State Bank of India (SBI) under the Lead Bank Scheme. The Lead Bank then undertook a survey of the Jaintia Hills district with a view to identifying credit gaps, assessing deposits potential and locating centres for opening bank offices.

The methodology followed in the compilation of the First District Credit Plan for Jaintia Hills District was on the basis of the Growth Centre Approach which was a new and separate methodology adopted for the North-Eastern Region of India. Although the methodology of preparing credit plans for

a district on the basis of depth studies of community development blocks is found suitable for the district in the plain areas in the country, it was observed that this methodology could not be made applicable in all respects to all Lead Districts in the North Eastern Region which differ from the rest of the country in many respects.

Therefore a separate methodology has to be evolved for the district in the region. In view of this, it is considered desirable to prepare the credit plans for the district in the North-Eastern Region on the basis of a new methodology called the Growth Centre Approach.<sup>3</sup> This methodology was, therefore, used for preparing the credit plan for Jaintia Hills district. The growth centre area was defined as the area covering the villages in the vicinity of the growth centre which are accessible for jeepable/kutchha roads all round the year including areas accessible from the growth centre/roadside by foot-track upto a reasonable distance say 5 kms.

### **Growth Centre Areas**

As already stated, the 'Growth Centre Area' was taken into consideration while preparing the District Credit Plan for Jaintia Hills. Therefore, three growth centres viz. Jowai, Dawki and Khliehriat were selected in the district. All the accessible villages within a reasonable distance from each of the growth centre were included in their respective operational areas. Depth studies of each growth centre area was undertaken with a view to developing an insight into the local economy so that suitable bankable schemes

could be evolved for the respective areas. The purpose of the depth studies was thus to identify the growth potential of the economy of the operational areas of each of the growth centre on the basis of (i) resources available there, (ii) development schemes already planned or proposed for the areas, (iii) felt needs of the local people, and (iv) the prospects of their existing pursuits so that a realistic set of bankable schemes could be formulated.

The plan period of the Credit Plan for Jaintia Hills covers originally the period from April 1974 to March 1979 coterminus with the Fifth Five-Year Plan. The Plan period was, however, extended to December 1979 as the annual business budget of the banks was prepared on calendar year basis. The Plan was, however, formally launched in May 1977.

#### **Review of the First District Credit Plan**

The first Credit Plan for Jaintia Hills was implemented by the two existing Commercial Banks, viz. State Bank of India and United Bank of India and one Co-operative Apex Bank, viz., Meghalaya Co-operative Apex Bank Ltd. The plan allocation among the three banks is shown in the following table along with their achievement :

**Table 5.1**  
Plan Allocation and Achievement (1974-79)

Name of the Bank	Plan Allocation (Rs. in lakhs)	Achievement (Rs. in lakhs)	Percentage Achievement
State Bank of India	8.92	6.96	78.0
United Bank of India	7.52	3.80	50.5
Meghalaya Co-operative Apex Bank Ltd.	2.88	6.94	241.0

**Source :** Second Round District Credit Plan, p.37.

The above table reveals the tremendous achievement made by the three banks. But as we do not have the figures showing the amounts of their deposit-mobilisation, we will have to analyse their achievements in the Second Round Credit Plans and onwards.

#### **Review of the Second Round District Credit Plan (1980-82)**

While the First Round Credit Plan was compiled as stated earlier on the "Growth Centre Approach", the Second Round Plan was compiled on a more realistic basis having its base at the Development Block level which is regarded to be the grass-root level for any planned development. At the end of the plan period in June 1982 the implementation of the Credit Plan

is shown in the following table :

**Table 5.2**  
Plan Allocation and Achievement (1980-82)

Name of Bank	Plan Allocation (Rs. in lakhs)	Achievement (Rs. in lakhs)	Percentage Achievement
State Bank of India	57.36	55.24	96.30
United Bank of India	25.57	4.77	18.65
Meghalaya Co-operative Apex Bank Ltd.	15.92	4.71	29.58

**Source :** District Credit Plan (1983-85), p.25.

From the above table it will be seen that the same three Banks were implementing the Second Round Plan. While the State Bank of India had improved its achievement from 78 percent in the First Round Credit Plan to more than 96 percent in the Second Round Plan, the other two Banks had performed very badly as compared to their achievement in the earlier plan.

But the point we want to make here is the fact that in spite of the financial resources available with the respective banks because of their successful deposit-mobilisation from year to year, yet the plan allocations, not to speak of achievement, were so meagre as compared to the deposits mobilised by each bank. The following table would support our contention :

**Table 5.3**

Deposits and Plan Allocation of the three Banks - 1980-82  
(Rs. in lakhs)

Name of Banks	1981	Deposits 1982	Total for 1981-82	Plan Allocation 1980-82	Percentage Allocation to Deposits Mobilisation
State Bank of India	106.23	116.67	220.90	57.36	2.51
United Bank of India	179.96	235.74	415.70	25.57	6.15
Meghalaya Co-operative Apex Bank Ltd.	108.52	136.47	244.99	15.92	6.50

**Source :** i) Field-work data

ii) Second Round District Credit Plan, 1980-82.

The above table reveals that our contention has been proved true that the plan allocation made for each bank was too small in comparison with their huge amount of deposits mobilised during the two years 1981 to 1982 (figures for 1980 are not available with us). Thus if the deposits mobilised during all the three years are taken, the percentage allocation would be much smaller.

#### **Review of Credit Plans from 1984 to 1990**

A complete picture can be obtained by comparing the plan allocations for a longer period of nine years from 1981 to 1989 in respect of the above three banks and for seven years from 1983 to 1989 in respect of the Regional Rural Bank. This has been attempted in table 5.4.

**Table 5.4**  
Deposits Mobilised and Achievements of Credit Plan Allocations  
1981 to 1989 (Rs. in lakhs)

Year		S.B.I.	U.B.I.	M.C.A.B.	R.R.B.
1981*	Deposits mobilised	106.23	444.33	108.52	-
	Achievements of Credit Plan Allocations	18.41 (17.33)	1.59 (0.35)	1.57 (1.44)	-
1982*	Deposits mobilised	116.67	743.31	136.47	-
	Achievements of Credit Plan Allocations	18.41 (15.77)	1.59 (0.21)	1.57 (1.15)	-
1983*	Deposits mobilised	122.83	479.58	157.92	4.64
	Achievements of Credit Plan Allocations	28.83 (29.49)	10.96 (2.28)	12.43 (7.87)	0.84 (18.10)
1984	Deposits mobilised	208.02	330.40	221.42	18.16
	Achievements of Credit Plan Allocations	63.72 (30.71)	88.50 (26.78)	8.32 (3.75)	4.67 (25.71)
1985	Deposits mobilised	258.86	678.00	308.80	36.97
	Achievements of Credit Plan Allocations	31.40 (12.13)	13.30 (1.90)	16.12 (5.22)	18.82 (50.90)
1986	Deposits mobilised	346.53	478.67	410.14	78.35
	Achievements of Credit Plan Allocations	28.11 (8.11)	21.50 (4.49)	10.20 (2.48)	17.25 (22.05)
1987	Deposits mobilised	455.82	553.60	517.98	105.18
	Achievements of Credit Plan Allocations	33.26 (7.29)	6.67 (1.20)	11.81 (2.29)	15.43 (14.67)
1988	Deposits mobilised	560.40	708.40	723.93	168.86
	Achievements of Credit Plan Allocations	30.58 (5.45)	10.09 (1.42)	19.63 (2.71)	31.22 (18.48)
1989	Deposits mobilised	668.66	802.42	1024.28	246.31
	Achievements of Credit Plan Allocations	19.41 (2.90)	9.92 (1.23)	18.98 (1.85)	18.98 (7.70)

\* We do not have separate figures of actual investment under the Credit Plan for 1981 to 1982. We, therefore, take the average for the three years from 1980 to 1982. For 1983 actual figures are not available. Hence the proposed figures of investment is taken.

Figures in parentheses are percentage of achievements to total deposits mobilised. Except for 1983, all are achievement figures.

S.B.I. = State Bank of India; U.B.I. = United Bank of India; M.C.A.B = Meghalaya Co-operative Apex Bank; R.R.B. = Regional Rural Bank.

Source : i) District Credit Plan, 1983-85, p.25 and pp.164-171; ii) District Credit Plan, 1989-90 and 1990-91; iii) Field Work data.

From table 5.4 it will be seen that the achievement of the plan allocation by each of the four banks in Jaintia Hills District under the District Credit Plan during each of the nine years from 1981 to 1989 is very insignificant as compared to the total deposits mobilised by each bank in the district. It was, however, discovered that the percentage of achievement to total allocation was very high during each year. Obviously, the allocation made under the District Credit Plan for each bank was itself very insignificant when compared to the total deposits mobilised by the banks.

Looking at the percentage of achievement to the total deposits mobilised as revealed in the above table, it will be seen that the State Bank of India could make a total advance under the Credit Plan of only about 31 percent of its total deposits of more than Rs.2.8 crores in 1984 which is the highest percentage during the nine-year period from 1981 to 1989. Similarly, the United Bank of India made an achievement of about 27 percent over its total deposits of more than Rs.3.30 crores in the same year which is the highest percentage achieved by the Bank during all these nine years. The Meghalaya Co-operative Apex Bank Ltd. on the other hand, made the highest achievement of about 8 percent during all these 9 nine years of its total deposits of about Rs.1.58 crores mobilised in 1983. The Regional Rural Bank made the highest achievement of about 51 percent in 1985 out of its total deposits of about Rs.37 lakhs but its achievement kept on decreasing thereafter and was only about 8 percent of its total deposits of more than Rs.2.46 crores mobilised in 1989.

It may also be noted that the allocation made each year under the District Credit Plan, was but a small part of the over all advances made by the banks. It is also interesting to note that the performance of the banks regarding implementation of the schemes involved under the District Credit Plan fluctuated during the nine year period from 1981 to 1989 as could be seen in the table 5.5 at the following page. But during a particular year some bank did very well while some other bank did not perform well. Again in some years some bank did tremendously well by achieving even above 250 percent over the total allocation. For instance the United Bank of India achieved more than 265 percent over the total allocation in 1984 while the State Bank of India achieved more than 190 percent in the same year, the Meghalaya Co-operative Apex Bank Ltd. and the Regional Rural Bank achieved more than 115 percent and 30 percent respectively in the year 1985.

While there was fluctuation in the percentage achievements of all banks from year to year, their over all achievement during 1989 uniformly declined to less than 50 percent and the United Bank of India made the least achievement of only about 9 percent of its total outlay made under the District Credit Plan.

The foregoing review of the performance and achievement under the series of District Credit plans does not however bring to light the over-all credit operation of the four banks in Jaintia Hills district which have been implementing the Credit Plan. Moreover, their financial resources have not been properly utilised for planned credit. The Lead Bank admitted that the

Table 5.5

Credit Plan Allocations and Achievements 1981 to 1989  
(Rs. in lakhs)

Name of the Banks	1981-1982 (Total of 3 years)	1983	1984	1985	1986	1987	1988	1989*
<i>S.B.I.</i>								
Allocations	57.36	28.83	33.46	49.41	31.09	37.05	61.90	39.58
Achievements	55.24 (96.30)	N.A.	63.72 (190.43)	31.40 (63.54)	28.11 (90.41)	33.26 (89.77)	30.58 (49.40)	19.41 (48.95)
<i>U.B.I.</i>								
Allocations	25.57	10.96	33.37	29.90	21.20	23.33	46.53	111.10
Achievements	4.77 (18.65)	N.A.	88.50 (265.20)	13.30 (44.48)	21.50 (101.41)	6.67 (28.58)	10.09 (21.68)	9.92 (8.92)
<i>M.C.A.B.</i>								
Allocations	15.92	12.43	16.93	14.01	15.60	13.99	27.34	48.62
Achievements	4.71 (99.58)	N.A.	8.32 (49.14)	16.12 (115.06)	10.20 (65.38)	11.89 (84.98)	19.63 (71.79)	20.05 (41.23)
<i>R.R.B.</i>								
Allocations	-	0.84	4.59	6.24	14.70	18.74	34.63	70.45
Achievements	-	N.A.	4.67 (101.74)	18.82 (301.60)	17.25 (117.34)	15.43 (82.33)	31.22 (90.15)	18.38 (26.08)

\* The outlay figures is upto 31st March 1990, while the achievement figures have been taken upto 31st December 1989.

Figures in parentheses are percentage to allocations.

Source : i) District Credit Plan, 1983-85, pp.24-25 and pp.164-171; ii) District Credit Plan, 1989-90 and 1990-91.

S.B.I. = State Bank of India; U.B.I. = United Bank of India; M.C.A.B. = Meghalaya Co-operative Apex Bank; R.R.B. = Regional Rural Bank.

financial resources available with all the banks operating in the district were more than adequate to meet their respective Credit Plan outlay. But since the District Credit Plan utilised only a small part of the financial resources available, we have to consider the Credit-Deposit Ratio as the only proper indicator of the banks' performance in reducing the regional disparities in the process of economic development.

In conclusion, it may be said that the objective of making the District Credit Plan as an 'adjunct' to the District Development Plan and the National Priorities is most acceptable provided that the Credit-Deposit ratio norm fixed by the Reserve Bank of India at 60 percent is not only fulfilled but also exceeded for the development benefit of the district.

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## **Chapter VI**

### **SUMMARY AND CONCLUSIONS**

In the preceding five chapters, attempts have been made to examine the economic profile and the resources endowment of the Jaintia Hills District of Meghalaya which indicate the development potential of the district. Besides, the economic importance of banks and banking policies as well as the banking development in the district along with its Credit Plan have also been examined. After doing so, it is now time to summarise the findings of the preceding chapters and to record our conclusion therefrom.

### **Findings of the Study**

#### **I**

The Jaintia Hills district of Meghalaya is endowed by nature with rich natural resources. It receives abundant rainfalls during the year and contains valuable forest resources. The exploration of these rich resources of the district and their proper utilisation would greatly accelerate the tempo of economic development of the district. The infrastructural facilities like transport, communication and power supply are fairly easily available. The administrative set up is well organised<sup>and</sup> that may lead to the rapid economic development and growth of the district. The people of the district are both business minded and politically conscious. Trade and commerce is flourishing particularly the coal mining business.

#### **II**

The national banking policies have been extended to the Jaintia Hills district which has recently witnessed the increasing number of bank

branches being established within the district. This is more apparently seen in the attempt to increase the number of regional banks in Jaintia Hills district. Within six years the number of rural bank branches alone has increased to thirteen. It has been recognised in India that banks are an important part of the economic system. Traditionally savings are believed to be an important source of capital accumulation. Realising the importance of banks and their deposit mobilisation efforts, the Indian banking policies have been framed in the perspective of the development plan and priorities. This led to the nationalisation of the Imperial Bank and the enactment of State Bank of India Act 1955.

The Indian Banking system had undergone a spectacular transformation with the nationalisation of fourteen major commercial banks in 1969. On 15 April 1980 six more private sector banks were nationalised in conformity with the National Banking Policy objectives. Earlier, to this, the most important phenomenon in the Indian banking system has been the establishment of the National Bank for Agriculture and Rural Development (NABARD) with a view to expanding the rural bank branches for the purpose of rural development. The Indian banking policy has now been made an integral part of the overall economic policy which specially aims at maximising resources mobilisation and assisting wide diffusion of the benefits of economic growth with an emphasis on rural development.

## III

The All-India Banking Policy has certainly benefitted not only the State of Meghalaya but also its five districts including Jaintia hills district. In fact, the institutional financial sector in the region now comprising the State of Meghalaya started in 1926 when the Imperial Bank of India later known as the State Bank of India, was established in Shillong. It had no other office in the region until 28 February 1959 when one branch was opened at Tura the then district headquarters of Garo Hills. But by 1972 the total number of Commercial Banks in the State was 10 which works out to 0.09 percent of the total bank branches in the whole country.

The first Co-operative Bank that was established in Shillong in 1948 was the Assam Co-operative Apex Bank Ltd. All the Commercial Banks and the Co-operative Apex Bank Ltd. were concentrated in Shillong, the capital of Meghalaya. Hence by 1970 the then United Khasi Jaintia Hills district had an average population of 56,000 per bank offices. In the then Garo Hills district the average population per bank official works out at 1.7 lakhs.

The total deposit mobilisation made by all banks in the State during 1970 amounted ~~to~~<sup>to</sup> around Rs.13.45 crores while its advances amounted to about Rs. 7 crores. The credit-deposit ratio was 52.11 percent as against all-India figure of 78.15 percent. During the period from 1970 to 1988 bank branches increased rapidly only in the two districts of Meghalaya, viz. East Khasi Hills and West Garo Hills districts while in the remaining three districts

including Jaintia Hills district the growth of bank branches was not so rapid. The credit-deposit ratio was also worse than 1970 figures. During the period from 1979 to 1988 the credit-deposit ratio fluctuated between 14.07 percent and 27.87 percent.

The deposits mobilised by all the four banks kept on increasing from year to year during the period from 1981 to 1989 although the figures for the United Bank of India shows a decrease from Rs.304.93 lakhs in 1983 to Rs.292.45 lakhs in 1984. This was the only decrease in deposits made by the only bank viz. the United Bank of India. Taking the four banks together the over-all deposit mobilisation made by them have never ~~been~~ registered a decreasing trend.

On the other hand, the loan amounts advanced also have shown an increasing trend for all the four banks except the State Bank of India in 1982. In spite of the increasing trend in the advances made by these banks in the district, the credit-deposit ratio never exceeded 46 percent except in the case of the State Bank of India which was 51.92 percent in 1981. In the year 1988 the bank deposits and advances were Rs.2161.59 and Rs.454.59 respectively. The credit-deposit ratio was only 21.03 percent. In spite of the excellent performance of the four banks in respect of deposit mobilisation efforts, none of them utilised, on an average even 30 percent of the deposits collected by them within the district during the nine-year period from 1981 to 1989.

## IV

District Credit Planning was introduced in Jaintia Hills District officially in April 1974 although it was formally launched in May 1977. The first District Credit Plan covered a period of five years nine months from April 1974 to December 1979 and coterminated with the Fifth Five Year Plan. But the second District Credit Plan covered only 3 years from 1980 to 1982. Thus, while the First Plan was meant to be the Five Year District Credit Plan, the second one covered a trienal period from 1980 to 1982.

The methodology followed was also different in the two Rounds of the Credit Plan for the district. While the First Credit Plan was compiled with its base at the Community Development Blocks level, the Second Credit Plan and the subsequent Plans were prepared as 'adjuncts' to the District Development Plans and the National Priorities.

Like the Second Round the Third Round of District Credit Plan for the district also covered a trienal period from 1983 to 1985. An Annual Action Plan was at the same time prepared for 1983. Thus from 1983 onwards an Annual Action Plan was prepared every year instead of a periodical Credit Plan.

The review of the District Credit Plan and the Annual Action Plans being implemented in Jaintia Hills district since their inception has shown that the Plan allocations for each of the four existing banks from year to year were but a small part of the total deposits mobilised by each of these

banks. It has also been discovered that the allocations made each year form a small part of the over-all advances made by the banks. Although the performance and achievements of the banks under the series of the District Credit Plans might be very good but since the financial resources available with all the banks had not been fully utilised, the only proper indicator of the banks' performance in reducing regional disparities should be the credit-deposit ratios.

### **Conclusions**

At the end of our enquiry, we arrive at the following conclusions:

In the course of our enquiry of the district of Jaintia Hills District, it is found that the district is rich in natural resources with tremendous development potential. If banking facilities are made available, there is a wide scope for the promotion of industries and for the extension of agricultural activities. With the improvement in the infrastructural facilities particularly the road transport and communication and power supply, it is expected that the economy of the district is strong enough to develop at least medium and small scale industries if bank credit facilities are easily available. The investigation has brought to light that the district provides a viable economic unit and it can develop industrially if major portion of the bank deposits mobilised would be invested within the district.

The study, however, has brought to light that the cumulative credit-deposit ratio during the nine year period from 1981 to 1989 was less than

24 percent as against all-India figures of more than 57 percent in 1985. During the 9 nine year period, the ratio never exceeded 30 percent. By 1989 it sunk down to less than 20 percent.

We may, therefore, conclude that bank resources flowed out of Jaintia Hills district either to other districts in Meghalaya or to other States. The reason might be the absence of a good number of the entrepreneurs among the people of Jaintia hills district to utilise the bank resources. Another reason might be that the banks have failed to motivate the people of the district for the utilisation of the bank resources for industrial and other purposes.

The National Banking Policy had introduced the concept of the District Credit Plan which was extended to the district of Jaintia Hills in 1974. The district was allotted to the State Bank of India under the Lead Bank Scheme. It was discovered that the allocations under the series of Credit Plans and the Annual Action Plan were far less than the actual advances made by all the banks that exist in the district. The credit deposit ratio was already found to be much less than the national average. Hence, the introduction of District Credit Plans appears to be insignificant as a larger proportions of bank advances made were outside the District Credit Plan chalked out by the Lead Bank.

The Regional Rural Bank was introduced in the district in 1983 with thirteen branches now. But its performance was also poor. Its consolidated credit-deposit ratio for the seven year period from 1983 to 1989 was only

25.11 percent in spite of the facts that its deposit mobilisation had greatly improved from Rs.4.64 lakhs to Rs.246.31 lakhs.

The development of bank branches in Jaintia Hills district was fairly good during the nine-year period. But according to 1981 census, the average population per bank offices works out to 17,332 as against the all-India average of 13,000 and the State average of 10,000. In view of the expansion in bank branches in the district the number of population per bank office might have reduced by now although the credit-deposit ratio was far less than the norm fixed by the Reserve Bank of India.

Since our focus is on the credit-deposit ratio as the only good indicator for the banking efforts in reducing the regional disparities in economic development, we cannot but conclude that banking institution in the district have failed to achieve the objectives of banks nationalisation.

The foregoing analysis shows that banks in Jaintia Hills district have not been successful in reducing regional disparities. Judged by the criterion of credit-deposit ratio, the district has lacked behind in respect of banking services. The deposits mobilised in the district are either being diverted to other districts within the State or to other states in the country. However, it is not altogether the faults of the banks because they supply only one of the inputs for development of the region. It is, therefore, natural that credit should flow outside where other inputs are available. But this fact cannot absolve the banks in the district of their responsibility. They should not remain passive but should rather show some imagination and enter-

prise to develop the district potentiality. Bank credit should take the lead in the process of economic development. Banks, therefore, should take steps not only to fulfil but to exceed the credit-deposit norm of 60 percent fixed by the Reserve Bank of India.

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## APPENDIX

Table I

Deposits and Advances of U.B.I. Branches for  
the period from 1981 to 1989 (Rs. in lakhs)

Year	Jowai Branch		Khliehriat Branch		Ummulong Branch	
	Deposits	Advances	Deposits	Advances	Deposits	Advances
1981	150.59	17.30	29.37	5.34	-	-
1982	176.05	20.24	56.93	9.61	3.30	5.25
1983	277.81	31.30	19.40	9.71	7.72	41.00
1984	254.17	46.98	6.48	1.19	11.80	41.91
1985	290.06	53.76	37.75	19.82	10.40	43.19
Total Deposits and Advances of the three Branches*						
			Deposits		Advances	
1986			78.67		144.52	
1987			553.60		157.97	
1988			708.40		183.12	
1989			802.42		207.58	

\*Branch-wise figures could not be obtained from 1986 onwards. However, we could obtain only the total of deposits and advances for these years.

**Table II**

Deposits and Advances of State Bank of India Branches for the period from  
1981 to 1989 (Rs. in lakhs)

Year	Jawai Branch Deposits	Jawai Branch Advances	Rajiang Branch Deposits	Rajiang Branch Advances	Dawki Branch Deposits	Dawki Branch Advances	Amlarem Branch Deposits	Amlarem Branch Advances
1981	76.83	29.05	29.40	26.11	-	-	-	-
1982	90.48	30.41	26.19	13.84	-	-	-	-
1983	98.50	33.56	24.23	21.93	-	-	-	-
1984	138.00	48.55	35.50	29.13	34.46	8.24	0.06	-
1985	173.79	59.95	34.43	27.37	45.96	11.03	4.70	4.37
1986	236.81	65.59	40.49	26.56	54.30	13.48	14.93	3.50
1987	318.37	80.31	48.01	26.32	68.19	11.93	21.25	5.02
1988	372.14	87.28	61.71	23.48	93.13	13.92	33.42	4.77
1989	429.78	84.22	84.85	22.34	101.02	5.06	53.01	8.21

Table III

Deposits and Advances of the Meghalaya Co-operative Apex Bank Ltd. Branches  
for the period from 1981 to 1989 (Rs. in lakhs)

Year	Jowai Branch Deposits	Jowai Branch Advances	Dawki Branch Deposits	Dawki Branch Advances	Nartiang Branch Deposits	Nartiang Branch Advances	Khliehriat Branch Deposits	Khliehriat Branch Advances
1981	92.15	10.35	14.81	3.26	1.56	-	-	-
1982	115.71	12.18	17.70	7.12	3.06	3.29	-	-
1983	133.72	14.03	19.33	9.62	4.87	4.81	-	-
1984	191.00	18.88	24.21	11.83	6.21	7.37	-	-
1985	267.79	36.96	33.40	10.58	7.61	9.51	-	-
1986	364.10	46.30	36.90	11.64	9.14	11.63	-	-
1987	444.68	63.66	43.74	11.55	19.85	11.38	9.71	-
1988	598.17	61.47	51.98	12.84	23.53	13.52	50.26	11.69
1989	844.68	93.75	6.04	15.95	36.00	17.65	77.56	12.69

Table IV

Deposits and Advances of Regional Rural Bank Branches for  
period from 1981 to 1989 (Rs. in lakhs)

		1983	1984	1985	1986	1987	1988	1989
Mookaiaw	Deposits	3.72	6.36	6.53	9.10	13.34	N.A.	N.A.
	Advances	0.59	1.68	1.66	1.79	1.39	N.A.	N.A.
Shangpung	Deposits	0.92	5.11	6.36	12.45	15.57	N.A.	N.A.
	Advances	0.09	1.09	1.67	2.23	2.46	N.A.	N.A.
Sutnga	Deposits	-	2.25	2.32	5.44	7.43	N.A.	N.A.
	Advances	-	0.36	2.38	3.83	4.46	N.A.	N.A.
Notalang	Deposits	-	2.41	4.28	2.17	12.10	N.A.	N.A.
	Advances	-	0.13	1.31	2.26	2.39	N.A.	N.A.
Umkiang	Deposits	-	1.27	4.14	8.43	1.71	N.A.	N.A.
	Advances	-	0.54	1.92	3.14	4.20	N.A.	N.A.
Khanduli	Deposits	-	1.31	2.78	4.82	8.62	N.A.	N.A.
	Advances	-	1.33	2.42	2.12	3.09	N.A.	N.A.
Lumshnong	Deposits	-	0.45	2.13	5.16	10.23	N.A.	N.A.
	Advances	-	0.02	1.29	1.74	2.93	N.A.	N.A.
Jowai	Deposits	-	-	2.47	17.35	16.08	N.A.	N.A.
	Advances	-	-	0.39	2.37	2.84	N.A.	N.A.
Rymbai	Deposits	-	-	4.34	4.12	6.03	N.A.	N.A.
	Advances	-	-	0.39	2.37	2.84	N.A.	N.A.
Muktapur	Deposits	-	-	1.62	8.55	12.10	N.A.	N.A.
	Advances	-	-	0.52	-	0.50	N.A.	N.A.
Wapda	Deposits	-	-	-	0.15	0.87	N.A.	N.A.
	Advances	-	-	-	-	0.50	N.A.	N.A.

Total Deposits and Advances for Two Years, i.e. 1988 to 1989 \*

Year	Deposits	Advances
1988	168.86	42.51
1989	246.31	50.95

\*Branch-wise figures could not be obtained from 1988 onwards. However, we could obtain only the total deposits and advances for these years.