

INSTITUTIONAL FINANCING OF TEA INDUSTRY: A STUDY IN BARAK VALLEY REGION OF ASSAM

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ABSTRACT

The commercial banks have emerged as the key purveyor of industrial credit in the national and state levels including the tea industry. The industrial sector of India is profoundly relying on the banking sector in comparison with other countries. A variety of financial institutions including banks have emerged basically after independence to satisfy the financial requirements of both small and large scale tea producers at national, regional and state levels. There have been several perplexing features of credit flow to the industrial sector in recent years. Hence, the paper is an attempt to analyze the institutional financing of tea industry in Barak Valley of Assam. The study found that the area under study is not maintaining the national pace of credit channelization towards the growth of tea industry. The proportion of bank finance had not been encouraging towards the tea industry during the study period may be due to conservative attitude of banks and Tea Board towards deploying credit.

Keywords: *Institutional finance, tea industry, Barak Valley, SPTF, Tea Board, banks.*

Introduction:

The commercial banks emerged as the transmitter of credit requirement of not only the small borrowers including the agriculturists but also played an encouraging role in institutionalizing the savings of common masses. Since nationalization of banks, an extreme focus has been laid on quantitative achievement and meeting the social obligations. Apart from this, the reason of expansion of bank branches may be attributed to develop a strong banking base to serve the economy efficiently and meet the banking needs of various segments of the economy by developing specialized banks. However, with the gradual progress of alternative sources of funds, the dependence of industry on commercial banks for meeting their credit requirements has been declined although the share of credit to industry in India was significantly highest among all countries (Ahmed, 2010). The commercial banks have of late emerged as the key purveyor of industrial credit in the national and state levels including the tea industry in the region under study. The corporate sector of India is

profoundly relying on the banking sector in comparison with other countries (Chavan and Lamba, 2007). A large variety of financial institutions including banks have emerged basically after independence to satisfy the financial requirements of both small and large scale tea producers at national, regional and state levels. There have been several perplexing features of credit flow to the industrial sector in recent years as is evident from the various studies done earlier. The overall availability of credit of the scheduled commercial banks (SCBs) has increased from Rs. 1,11,669 crore in 1990 to Rs. 24,05,949 crore in 2009 (RBI, 2010). In the light of the above, an attempt has been made in this paper to analyse the institutional financing of tea industry in the area under study.

Review of Literature:

The proper financing is essential for the growth and development of tea industry. There exist a number of studies on financing of tea industry in and around. A

review of some of the studies has been done to establish the gap of the present study.

The tea finance committee (1964) suggested that the commercial banks should provide 65 per cent to 85 per cent of gross sales against the crop hypothecation for meeting working expenses. The committee also suggested that 50 per cent of the re-plantation should be treated as development allowances and allowed as expenditure in computing agricultural as well as corporate taxes. The Dutta Committee (RBI, 1972) recommended that the bank should provide 95 per cent of gross sales as working capital requirements. Sharma (1974) viewed that the role of commercial banks lies in accelerating investment and growth in a developing economy. Awasthi (1975) identified various additional facilities and fringe benefits provided by the management of tea gardens towards the workers. These included free housing, free medical facilities, recreation centres, free liquid tea while on duty, sickness allowance, leave with wages, etc. The study also presented a detailed picture of Assam tea industry relating to profitability and capital structure. Ross (1977) has recognized the common factors of financial structure viz, institutional framework, debt equity mix, interest rate etc. Bhattacharjee (1977) while elucidating the history of tea gardens in Barak Valley made a brief review of the financing patterns of tea industries in the colonial period where it was specifically mentioned that the British traders were the pioneers in providing the financial aid to the owners of the tea gardens. Dutt (1980) advocated that bank finance for the tea industry in India should be on a prospective basis, not on a retrospective basis as in the past. The bank finance should include all maintenance investments including workers' housing improvement in manufacturing facilities, replanting, etc. A study of Economic Scientific Research Association (SRA, 1983) regarding growth and potential of tea industry in India revealed that the industry could not raise funds from any other financial institutions except NABARD and Tea Board. As regards bank finance two committees, viz., Tandon Committee and Chore Committee made recommendation for working capital financing. The Tandon committee suggested working maximum permissible bank borrowing and the Chore Committee (1979) felt to ensure the borrowers to enhance their contribution to working capital and to improve their current ratio.

The study group (1969) headed by D.R Gadgil recommended for the adoption of an 'area approach' for development of credit and banking in the country on the basis of local conditions. RBI accepted the recommendations and formulated the lead bank scheme (LBS) in December 1969. Under the scheme, each district had been assigned to different banks to act as a consortium leader to co-ordinate efforts of the banks in the district, particularly in the matter of

branch expansion and credit planning. The All India Rural Credit Review Committee in 1969 endorsed the view that commercial banks should come forward to finance activities in rural areas. The committee of bankers appointed by RBI under the chairmanship of F.K.F. Nariman also endorsed this area approach. The LBS underwent significant transformation in 1989 when 'service area approach' was merged into the scheme. The service area restrictive provisions were removed in 2004, except for the government sponsored programme. As in March, 2009, there were 26 numbers of banks mostly in the public sector, which have been assigned lead responsibility in 622 districts of the country (RBI, 2009). Misra (1987) in a study on the quality, investment and international competitiveness of Indian tea industry, complaints about quality deterioration associated with sluggishness of investment in the tea plantations of Darjeeling and other quality tea producing areas have become matters of public concern for some time. Kato (1993) concentrated on target costing approach in Japanese companies with a motive of cost reduction and mentioned that information system is necessary for the adoption of target costing philosophy. Viswanathan (1994) concluded that working capital limits to large tea borrowers should be fixed by banks purely on the basis of cash budgets and banks should desist them from financing tea brokers to enable them to lend to tea factories/ estates.

The working group (2003) constituted to study the problems of tea industry by Madhukar Committee recommended the refinance schemes of NABARD and subsidy in respect of those capital expenditure by the Tea Board. The tea industry will urge the Reserve Bank of India to make the Madhukar committee recommendations on funding of the tea industry mandatory for all banks (Dey and Mandal, 2011). In a press release of Business Standard in 2011, it was stated that the loss of revenue that tea planters need to bear during the gestation period and post re-plantation of tea bushes, the tea industry has asked the Tea Board and the Centre to increase the rate of subsidy under the Special Purpose Tea Fund (SPTF) from present 25 per cent to 40 per cent to motivate planters for re-plantation. The prevailing subsidy of 25 per cent under SPTF is continuation of the erstwhile Plantation Development Scheme (PDS), and neither absorbs the heavy loss of revenue nor motivates the planters for developmental activities. By any stretch, the SPTF has been the most ambitious project ever to be launched for tea industry in India, in terms of both investment as well as total area covered (Dey, 2011).

The Ministry of Commerce constituted an advisory committee (2004) to monitor the implementation of 25 point recommendations. Atkotiya (2005) examined the financial performance of some selected tea companies in India from 1997-98 to 2002-03 by using a number of financial ratios to appraise the performance of the

tea companies. The study concluded that profitability of the tea companies had been decreasing over the years and there had been wide variations in the financial structure of the companies. Sarda (2007) in a study on the working capital finance to tea industry systematically provided a brief review of the type of tea borrowers, procedure for assessing working capital limits to large borrowers and small borrowers. Goswami (2007) identified the problems and prospects of tea industry in Assam. He suggested that the capital structure of the tea industries should be properly planned to revive sick tea gardens of Assam. Das (2008) studied the impact of globalization on the tea industry and silk industry of Assam on the basis of the parameters like price per kg, quantity of exports of tea to expose the challenges posed by globalization. Gomez (2008) observed that the commercial banks have maintained an attitude of superiority as regard to the provision of long term capital to industry. The commercial banks are a major source of financing tea industry in the region. The industrial houses require credit for short period for working capital and for long period for their fixed capital requirements. Chakraborty (2012) studied the profitability of tea gardens of Barak Valley of Assam. It was revealed from the study that tea gardens in that region were sustaining losses due to increase in cost, decrease in average auction prices of Barak Valley tea and mounting burden of tax on tea.

The economic history of the developed nations shows that economic growth and growth of financial infrastructure are intensely correlated with each other. A sound and progressive banking system is prerequisite for industrial development. The loan/credit is the pillar to industrial development in any region. (Kzistami, 2013) observed that the leverage has been conceived as a modality by which a company can increase its growth opportunity. The financial leverage represents the total debt reported to the equity of a firm, reflecting the capacity of the financial managers to attract external financial resources in order to improve the efficiency of the equity.

It is revealed that there have been rare studies based exclusively on the financing of tea industries. Most of the studies relate to importance of tea industry, tea garden labourers, tea production, tea marketing, etc. However, the studies relating to the financing practices of the tea industry remained un-researched in the study area. Hence, a study in this region of the country is warranted in respect of institutional finance of tea industry.

Problem Statement:

The tea industry in India is about 172 years old. It occupies an important place and plays a very important role in the national economy. Robert Bruce in 1823 discovered tea plants growing wild in upper

Brahmaputra Valley of Assam. In 1838, the first Indian tea from Assam was sent to United Kingdom for public sale. Thereafter, it was extended to other parts of the country between 50's and 60's of the last century. Despite adverse agro climatic condition experienced in tea growing areas in many years, Indian Tea Plantation Industry is able to maintain substantial growth in relation to volume of Indian tea production. There has been a dramatic inclination in tea disposal in favour of domestic market since fifties. While at the time of Independence only 79 million kgs or about 31 per cent of total production of 255 million kgs of tea was retained for internal consumption, in 2008 as much as 778 million kgs or about 80 per cent of total production of 986 million kgs of tea went for domestic consumption (Hazarika, 2008). Such a massive increase in domestic consumption has been due to increase in population, greater urbanization, increase in income and standard of living etc. The need of the day was to go for better quality tea, after keeping aside the common varieties of the produce in the state's gardens in general and Barak Valley gardens in particular for blending purpose. The valley has shortfall of the country's export market as the industry could send only 169 million kgs of tea in 2009 in comparison to 187 million kgs in 2008. There is the demand for introduction of a special package of concessions and incentives by both the Centre and State government for Barak valley tea industry. The tea industry in Barak Valley is passing through hard days. Labour problem, inadequate communication system, lack of proper financial support, power crisis, increased revenue tax for Barak tea gardens, cess on green leaf, increased pollution fee, less transport subsidy etc. have put tea industry of Barak Valley in a hopeless condition. In comparing with the national trend, Barak valley region has also registered a fall in the production of tea in 2009 in comparison to its output in 2008 (ITA, 2009). This leads us to have a detailed enquiry particularly to understand whether financial structure of tea industry has any implication in the present deteriorating condition.

The Study Area:

The Barak valley is the southernmost part of Assam covers an extensive area of 6922 sq. kms in 3 subdivisions of three districts viz, Cachar, Karimganj and Hailakandi. The economy of the valley had been a periphery to the economic mainstream of Bengal during the British rule. The partition of the country in the wake of independence and the consequent emergence of East Pakistan (now Bangladesh) had not only shattered the traditional cheapest and quickest lines of transport and communication but also snapped the age old channels of trade, commerce and transactions. The post-independence phase did not adequately compensate the valley for all the loss inflicted on it by partition. The background of tea

industries in Barak Valley revealed that in Assam tea plantation was the first capitalist enterprise introduced by the British government in the middle of the nineteenth century. In Barak Valley, the first tea garden was set up at Barshangun (present Kathal Bagan) in 1856 by G. Williamson (Verner, 1858) after the discovery of tea plants in Cachar District in 1855. Thereafter, the number of tea garden gradually increased. In 1901, the total number of tea gardens in Barak Valley was 180 (Bhattacharjee, 1977). As per statistical report, in 2001 the number increased to 206 with 32,272 hectares area under plantation. In 2005, the number of tea gardens in Barak Valley remained the same i.e. 206 (Tea Statistics, 2005). Again in March 2009, the number of tea gardens in the valley, excluding the sick gardens, was 130, which employed 31,200 permanent labourers and around 30,000 casual labourers (CCSU, 2009). The following table-1 shows district wise number of tea gardens / estates operating in Barak valley of Assam.

Table -1: Number of Tea Gardens in Barak Valley

No. of Tea Gardens	Barak Valley			
	Cachar	Karimganj	Hailakandi	Total
As on 2009	72	41	17	130
As on 2013	56	24	19	99

Source: Indian Tea Association, Surma Valley Branch, Silchar, Assam

Objectives of the study:

The objective of this paper is to examine the institutional financing of tea industry in Barak Valley region of Assam.

Methodology Adopted:

Both primary and secondary data has been used for the purpose of the study. The sources of secondary data are Tea Board, Kolkata; Indian Tea Association, Surma Valley Branch; Tea Auction Centre, Guwahati; North Eastern Tea Association; RBI Bulletins; Lead Bank Offices of the districts; Regional offices of commercial banks; Directorate of Economics and Statistics; various reports; published and unpublished research papers and dissertations etc. The growth of different variables has been examined with compound annual growth rate (CAGR). The relationships of proposed variables have been studied using correlation coefficients (r) and the significance of ‘r’ has been tested with ‘t’ test.

Institutional Financing of Tea Industry: The Analysis and Discussions

The institutional finance is the portion of fund in the capital structure of an enterprise which is provided through an institution. Institutional finance for tea industries is provided by banks, financial institutions

and Tea Board for catering to the needs of funds for industrial ventures. In the following paragraphs, an attempt has been made to assess the nature of institutional finance made available to the tea industry in the Barak Valley. The financial assistance available from commercial banks and Tea Board for the growth of tea industry in the context of its national level performance has been examined.

Population Group wise Number of Bank Offices:

The nationalization of commercial banks evidenced rapid expansion of bank branches in the country especially in the rural and backward areas. But there has been an uneven growth of banking in different states/regions of the country. The number of bank branches in Barak Valley was 101 in March 2010 spreading into the three districts. Table -2 presents the population group-wise number of offices of public sector banks (PSBs) of the region.

Table-2: Population Group-Wise Number of Offices of Public Sector Banks

Region	Rural			Semi-Urban			Urban		
	2001	2002	2010	2001	2002	2010	2001	2002	2010
	Cachar	46	30	33	01	01	—	23	21
Karimganj	33	18	20	14	10	11	—	—	—
Hailakandi	15	10	07	05	02	04	—	—	—
Barak Valley	94	58	60	20	13	15	23	21	26
Assam	481	799	467	200	256	243	168	159	251

- indicates not available.

Source: www.rbi.org.in

The rural areas of the districts are holding the major share of bank branches as on March, 2010. The numbers of urban branches are only 26 against rural branches of 60. The Cachar districts are ventured with maximum number of bank branches, the figures being 70, 51 and 59 in number in the years 2001, 2002 and 2010 respectively followed by Karimganj and Hailakandi districts. It is clear from the above that the three districts of Barak Valley are under banked and there is a dearth of financial institutions in the districts under study.

Population per Branch of the Commercial Banks:

Table-3 reveals that the all India average population per branch office was 11,021 persons in March 2013

as compared to 18,925 persons in Assam. But the average populations per branch in Barak Valley were much higher than the national as well as state average. The same for individual districts were much higher than the national and state's average. The Cachar district is having 29,434 persons, Karimganj 39,635 persons and Hailakandi 59,936 persons. The average population of Barak Valley in per bank branch is 35,887. The three districts of Barak Valley are carrying about 11.62 per cent of population of the state but in case of share of commercial bank branches, it possesses only 6.13 per cent. It is clear from the above figures that financial exclusion is most acute in the region in general and the Hailakandi in particular.

Table-3: Average Populations per Branch of Commercial Banks
As on 31st March, 2013

(Population in Persons)

District	Population as per 2011 census	Number SCBs Branches	Average Population per Branch
Cachar	1,736,617	59	29434
Karimganj	1,228,686	31	39635
Hailakandi	6,59,296	11	59936
Barak Valley	3,624,599	101	35887
Assam	31,169,272	1647	18925
India	1,210,193,422	1,09,811	11021

Source: Statistical Tables Relating to Banks in India, RBI.

Loans and Advances Channelized by Banks:

The credit sanctioned by commercial bank is an important input variable in the production functions of agriculture, industry, commerce and allied productive activities for the socio-economic development of the country. Apart from the quantum of bank credit, its development, composition and direction are important in the comprehension of the country's various overall economic goals. Raj Committee (1977) recommended 40 per cent of lending to the priority sector. Pandey (1968) put forward for the channelization of bank credit in proper direction; otherwise, there will be undesirable effect on the economy of the country. Kohli (1997) found the significant relations between bank credit and investment in both agriculture and industries in India. Mahapatra (2005) examined the overall progress and achievement of SCBs operating in India during the pre-reforms and reforms periods with focus on societal goals. Kaur (2012) scrutinized the priority sector lending by commercial banks in India found that lending to priority sectors are higher in case of public and private sector banks than that of foreign banks. During the past four decades, some noticeable positive changes have been taking place in the credit advances by the SCBs. Table-4 presents the bank advances channelized in the area under study.

Table-4: Bank Advances Channelized in Barak Valley

End March	Barak Valley (Rs. in Lakh)	Assam (Rs. in Lakh)	India (Rs. in Crore)
1997	12503	185237	278401
1998	15160	205320	324079
1999	15694	226659	368837
2000	17093	270116	454069
2001	18010	315987	529272
2002	23062	365590	609053
2003	29140	375980	746432
2004	37219	461163	865594
2005	52485	627076	1124300
2006	70846	883542	1507077
2007	92189	1093612	1931189
2008	107861	1315034	2361914
2009	129677	1512277	2775549
2010	151019	1836661	3244788
CAGR (%)	22.06	20.14	20.79

Source: Basic Statistical Return of SCBs, RBI.

The total advances by all SCBs in Barak Valley stood at Rs 12,503 lakh as on 31st March, 1997, increased to Rs 1,51,019 lakh as on March 31, 2010 which shows 12.08 times increase in advances over the period. The rate of growth of advances is higher in Barak Valley (CAGR=22.06) than that of the Assam (CAGR=20.14) and the country as whole (CAGR=20.79). In order to assess the extent of credit channelization by the banks in the districts under study, we have calculated the correlation coefficients among the bank advances during 1997-2010 and the results are presented in table-5.

Table-5: Matrix of Correlation Co-efficient of Bank Advances

	Barak Valley	Assam	India
Barak Valley	1		
Assam	0.9985 (63.12)**	1	
India	0.9987 (67.85)**	0.9989 (73.78)**	1

Source: Self-calculated by the present researcher on the basis of table-4

$t_{0.05}(12\text{ df}) = 2.179$, $t_{0.01}(12\text{ df}) = 3.055$

** indicates significant both at 0.05 and 0.01 level of significance.

The analysis manifests that correlation coefficients (r) in respect of advances of the districts under study in the context of national scenario is positive. The r values are however, statistically significant at 1 per cent and 5 per cent level of significance at their respective degree of freedom. This implies that the area under study is maintaining the national tempo of credit channelization. In other words, banks are

deploying credit for the economic growth of the area from which they have mobilized funds. This indicates that financial reform has positive impact on deployment of bank credit (GOI, 1991). Having examined the trends of advances growth in the study area, it is necessary to examine the trends and practices of advances in tea industry.

Deployment of Credit to Tea Industry:

With this backdrop, the following paragraphs have attempted to examine the role of institutional source of finance in the tea gardens of the study area in the context of national level practices of bank finance. The deployment of gross bank credit to tea industries may be had from the table-6.

Table-6: Credit Deployment of Tea Industry as Well as Industries as a Whole
(Amount Rs. in lakh)

Year	India		Assam		Barak Valley	
	Tea Industry	All Industries	Tea Industry	All Industries	Tea Industry	All Industries
2001	146901	23643041	15342	133927	818	4971
2002	162099	27162550	8495	430585	941	2189
2003	231231	30982757	19747	245808	938	6243
2004	281282	33480348	30826	130777	954	5512
2005	249083	44682498	16085	211036	990	7347
2006	309570	56621595	23095	292719	897	14287
2007	368338	74189713	23676	368208	867	52444
2008	296146	92853578	38774	337464	974	31444
2009	309713	113444298	42491	329101	917	28215
2010	293543	135523235	30149	354280	998	25355
CAGR	1.15%	17.72%	3.17	11.80	0.75	17.69

Source: RBI: Basic Statistical Returns of SCBs; United Bank of India, Kolkata; Regional offices of the SCBs of Cachar, Karimganj and Hailakandi districts

It is observed that the outstanding credit of banks towards tea industry of the country have been very less. Moreover, the CAGR of tea industry is lower than the industry as a whole. The increase in credit deployment of banks towards the tea industry of Assam was from Rs. 19,296 lakh to Rs. 30,149 lakh whereas in case of industrial sector, it rises from Rs. 71980 lakh to Rs. 354280 lakh during the period from 1996 to 2010. However, the CAGR was higher in case of entire industrial sector than the tea industry of Assam. But the fact remains that the growth rate of credit deployment is better for tea industries of Assam than that of national level during the period under study. The amount of credit towards tea industry of Barak Valley was Rs. 818 lakh in 2001 which has increased to Rs. 998 lakh in 2010. Whereas the amount of credit towards the industry as a whole increased from Rs. 49.71 crore in 2001 to Rs. 253.55 crore in 2010.

In order to assess the extent of credit channelization by the banks towards the tea industry in the area under study, we have calculated the correlation coefficients among the bank advances during 2001-2010. The results of the correlation coefficient are presented in table-7.

Table-7: Matrix of Correlation Coefficient of Advances to Tea Industry

	India	Assam	Barak Valley
India	1		
Assam	0.6609 (2.48)*	1	
Barak Valley	0.1718 (0.48)**	0.2455 (0.71)**	1

Source: Self-calculated by the present researcher on the basis table-6

$t_{0.05}(8\text{ df}) = 1.860, t_{0.01}(8\text{ df}) = 2.889$

* indicates significant both at 0.05 and 0.01 level of significance.

** indicates insignificant both at 0.05 and 0.01 level of significance.

It is evident from the analysis that correlation coefficients (r) in respect of advances of the districts under study in the context of national scenario are positive. The r values are however, statistically significant at 5 per cent but not at 1 per cent level of significance at their respective degree of freedom between Assam and India. But 'r' values are statistically not significant at both 1 percent and 5 percent level of significance in Barak Valley with Assam and India. This implies that the area under study is not maintaining the national tempo of credit channelization towards the tea industry. In other words, banks are not adequately deploying credit for the growth of tea industry in the study area.

Financing of Tea Industry by UBI:

The United Bank of India (UBI) is to act as consortium leader of the districts under study. The lead bank prepares the district credit plan (DCP) and annual action plan (AAP) with the help of bank officials, developmental agencies - DICs etc. This requires an effective co-ordinations and co-operations not only between lead banks and other banks but also between banks in one side and the concerned government machineries and other development agencies on the other side.

As per information available in the Annual Reports and Accounts of tea gardens of Barak Valley, on an average, 46 per cent of the gardens

are financed by the United Bank of India (Annual Reports and Accounts, 2010). Hence, in this section, an attempt has been made to examine the scenario of the financial assistance made available by the UBI in the study area along with a comparison of all India and Assam. The position of the study area is not impressive while compared with all Assam and all India scenarios. The facts have been presented in table-8.

Table-8: Outstanding Credit of United Bank of India towards Tea Industry
(Amount Rs in crore)

Year	All India	Assam	Barak Valley
2001	268.89	174.23	6.18
2002	288.72	194.23	6.41
2003	339.25	227.65	6.38
2004	366.26	241.08	8.14
2005	367.92	222.23	7.89
2006	381.89	240.64	6.97
2007	377.52	253.65	6.67
2008	366.89	253.90	3.74
2009	259.19	171.31	1.17
2010	263.98	170.36	6.98
2011	273.96	176.61	7.37
2012	359.48	227.17	6.19
2013	435.19	261.37	6.99
CAGR (%)	3.93	3.29	1.00

Source: Tea Department, United Bank of India, Kolkata.

It is found that outstanding credit of UBI towards tea industry in the national level has swelled from Rs. 268.89 crore in 2001 to Rs. 435.19 crore in 2013 whereas in case of Assam and Barak Valley, the amount of outstanding credit has grown from Rs. 174.23 crore in 2001 to Rs. 261.37 crore in 2013 and Rs. 6.18 crore in 2001 to Rs. 6.99 crore in 2013 respectively. The amount outstanding has grown by 1.62 times in national level whereas in case of Assam and Barak Valley it has enhanced by 1.50 times and 1.13 times respectively. The calculated CAGR in respect of outstanding credit has been 3.93 per cent for all India, 3.29 per cent for Assam and 1.00 percent for Barak Valley. Thus, the CAGR in respect of outstanding credit of UBI towards tea industry has been highest in the national level.

In order to assess the extent of credit channelization by the UBI in the districts under study, we have calculated the correlation coefficients among the outstanding advances to tea industries during 2001-2013. The results of the analysis are presented in table-9.

Table-9: Correlation Coefficient of outstanding credit of UBI

	All India	Assam	Barak Valley
All India	1		
Assam	0.9612 (11.39)*	1	
Barak Valley	0.3313 (1.3413)**	0.2333 (0.8846)**	1

Source: Self-calculated by the present researcher on the basis of table-8

$t_{0.05}(11\text{ df}) = 1.796$, $t_{0.01}(11\text{ df}) = 2.718$

* indicates significant both at 0.05 and 0.01 level of significance.

** indicates insignificant both at 0.05 and 0.01 level of significance

The analysis reveals that correlation coefficient (r) in respect of outstanding credit of UBI in Assam, in the context of national scenario is positive. But the r values are not statistically significant for the area under study. This implies that the area under study is not maintaining the tempo of national and state level credit channelization by UBI. In other words, UBI is also not adequately deploying credit for the growth of tea industry when compared with credit deployment in the state level and national level. Thus from the foregoing discussion it is clear that the proportion of bank finance had not been encouraging towards the tea industry during the study period. This may be due to the fact that tea industry has not been relying too much on the bank finance and also conservative attitude of banks towards advancing of credit towards tea industry.

Financing under SPTF in Barak Valley:

The amount disbursed under special purpose tea fund (SPTF) in the study area is shown in table-10. It is clear from the table that the amount disbursed under SPTF increased from Rs. 2.39 crore in 2007-08 to Rs. 13.77 crore in 2012-13 recording 5.76 fold increases in the tea gardens under study. The amount disbursed, however, at the national level recorded 3.18 times increase during the same span.

Table-10: Amount Disbursed under SPTF (All India vis a vis Barak Valley)
(Amount Rs in Crore)

Year	All India	Barak Valley
2007-08	16.02	2.39
2008-09	21.33	3.28
2009-10	22.84	6.21
2010-11	30.76	9.88
2011-12	43.17	10.40
2012-13	51.18	13.77

Source: Annual Reports, Tea Board of India and Tea Board Regional Office, Guwahati.

It is observed that growth of the amount disbursed under SPTF scheme is not up to the mark. This may be due to the negligence and negative attitude on the part of the Tea Board for disbursing adequate quantum of fund under SPTF scheme.

Conclusion:

From the above analysis, it is clear that the banks are deploying credit for the economic growth of the area from which they have mobilized funds indicating a positive impact of financial reform on deployment of bank credit. Nevertheless, the area under study is not maintaining the national tempo of credit channelization towards the growth of tea industry. The UBI, though act as a consortium leader of the districts under study, is also not adequately deploying credit for the growth of tea industry while compared with credit deployment in the state level and national level. Thus, it is clear that the proportion of bank finance had not been encouraging towards the tea industry during the study period. This may be due to the fact that tea industry has not been relying too much on the bank finance and also conservative attitude of banks and Tea Board towards advancing of credit towards tea industry.

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