

# Institutional finance for rural development of north east India : Strength and prospects

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## **ABSTRACT**

The need for institutional finance arises because of the weaknesses or inadequacy and defective nature of private finance. Private finance is based on profit motive; it is expensive and not related to the productivity of land and does not flow into the desired channels. It does not make agricultural improvements as funds are not available for long periods at low rates of interest. It is not properly integrated with the needs of the agriculturists. On the other hand, institutional finance is not exploitative and the basic motive is always to help the farmer to raise his productivity and maximize his income. Institutions also make a clear distinction between short-term credit and long-term credit requirements and give loans accordingly. Also, institutional credit is fully integrated with other needs of the agriculturist. In all the developed countries, credit services and extension services go hand in hand. This work can be done best by institutions like co-operative societies, commercial banks and other financial institutions and not by rapacious money lenders and commission agents. Faced with the serious problem of deteriorating agricultural production and the rapacious money lenders, the Govt. of India evolved a multi-agency approach in rural finance. Over the years, although there is a massive expansion of financial infrastructure including agricultural financing in the country, the pace of development in the Northeastern India is however, not up to the mark. Although a few studies on the macro aspects of rural credit have been undertaken, yet the specific studies highlight the status of rural-finance in the Northeastern India are lacking. The present paper is a small attempt in this direction to highlight the existing situation of institutional finance and its need and prospects for the development of the rural north eastern region of India.

**KEY WORDS :** Institutional finance, Rural development, Infrastructure

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