

Chief Minister's Inaugural Speech for 20th November Consultative Workshop on NER Vision : 2020

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I am indeed happy to be able to associate myself with this Consultative Workshop on NER Vision : 2020 organised by NEDFI. It is no doubt a very good initiative to chalk out State-specific strategies relating to banking public finance and private investment through a process of discussion involving all the stakeholders



Chapter 12 of the Vision Document contains 10 general suggestions to raise the availability level of credit facilities. These are off-repeated recommendations and I find little new therein. What is really important is acting on these suggestions in a coordinated manner with a sense of urgency. There must be flexibility to suit the peculiar conditions of individual State. We have been emphasizing the obvious need for larger private investment without taking substantive measures to improve the ground conditions like development of essential minimum infrastructure, a competitive production base etc. Therefore, making efforts to raise private investment would seem to be putting the cart before the horse.

Development of basic infrastructure is the key to growth. But for poor and remote hill State like Mizoram it is a tough task to create these facilities due to a number of constraints, the primary one being paucity of fund. Equally important is raising the productivity and production level. These are basic needs for development of manufacturing enterprise and attracting private investment. In an undeveloped State like Mizoram investment on infrastructure development has to come from the public sector. At the present level of development, it will be too much to expect private investment. At the same time, without adequate private investment it will be an extremely difficult task -, to achieve what has been envisaged in the Vision document. We have been locked in a vicious circle; there is no investment because there is no infrastructure, and there is no infrastructure because there is no investment. It is high time that we were enabled to come out of this circle and to take a bold step forward towards progress. As I said earlier, infrastructure will have to be developed almost entirely through public investment. Mizoram's own resources being extremely poor, the Centre has to extend liberal hands of assistance. In doing so, some of the thumb rules applied for funding infrastructure development projects must be amended in relation to backward State like us. For instance, cost of any project in remote hill areas is 15 to 25 percent more than that in the developed plains. Therefore, the norms for viability assessment have to be modified accordingly. Otherwise, infrastructure development projects in the States will never stand the viability test. Resultantly these facilities would continue to remain underdeveloped and private investment will remain elusive as ever, 'Help us now to help you later' - this, in simple language, is the earnest plea of the small, poor States with the Centre. I hope that it would respond positively and quickly. Financial institutions provide an alternative source of finance for productive efforts in a substantial

degree. Financial inclusion, which has been one of the basic objectives of the Central Govt's fiscal policy, depends on the operational spread and efficiency of banks and other allied institutions. Success of governmental efforts to achieve that objective will depend on the degree of accessibility to these services for that large chunk of our population who have not so far had the benefit of such services although their need is relatively more pressing. Unfortunately, in the entire North East and particularly in the remote hill areas, the level of accessibility is extremely low. Apply any yardstick and the finding will be the same - a disappointing picture. Take for instance, flow of credit. The ratio of credit to NSDP is 9 in Nagaland and about 11 in Mizoram as against the national average of 62. Similarly, the ratio of bank A/C per 100 persons is around 38% in the North East while the national average is above 59%. Credit availability is also extremely limited. In Mizoram while the per capita deposit is about 8750 rupees, per capita credit is just over 4028 rupees. Such an uninspiring situation is the direct result of poor banking coverage and below per institutional performance. There is need for improvement in all these fronts.

Banking activities in Mizoram, and perhaps also in the other States of the region, are confined, by and large, to the urban and semi-urban areas. The rural areas remain mostly unbanked. Such a situation does not help achieve inclusive development, equity and shared prosperity. We have taken up an ambitious programme of economic empowerment of the rural and farming community and the under-privileged titled - New Land Use Programme. It provides for both farm and non-farm asset and income generating activities. Institutional finance will be one of the major supporting bases for the programme and I am sure the banks would fully cooperate with the State Govt in the satisfactory implementation of the programme. Agriculture and rural development are two imperatives for balanced and inclusive growth specially in State like Mizoram. Credit has a pivotal role to play in such a development process. What is urgently needed is micro-credit. The present picture in this behalf is totally dismal. The flow of credit has been slow and the less developed rural population has hardly any access to it. RBI has identified certain policy changes for financing farm and non-farm activities in NE region which NABARD should implement in the light of the region's special needs. The age-old values and social customs must not be asked to be modified merely to conform to new rules and norms for finance and development. It will be a retrograde step. The rules and norms should be modified to fit into the traditional values and customs. Thorat Committee's recommendation that a pilot project to introduce a customized simple deposit and credit products in the rural areas should be implemented without further delay. This would greatly improve the ground situation.

With nearly 2300 groups formed so far, the SHQ movement has come to stay in Mizoram and would play significant role. Under the New Land Use Programme more groups are being formed to actively participate in development activities in the fields of Horticulture, Bamboo, Food Processing, Floriculture etc. There has, therefore, to be a sustained and adequate flow of credit from the banking institutions. I would like to suggest that the banks in this region should modify the all-India loan policies so that they can substantially meet the needs and aspirations of the people. It should include, among other things, waiver of collateral security, simplification of loan sanctioning procedure, modification of existing guidelines to allow refinance by NABARD for banks financing Micro Finance Institutions etc.

I think I should speak a few words about the role of NEDFI in the development process in North East. I do not know at to what impact NEDFI's intervention has been in the other sister States. But its reach in Mizoram has so far been very limited. For instance, Mizoram's share was only a small fraction of Rs. 609 crores of loan disbursed by NEDFI up to 2008. There may be plausible reasons for it which we would like to know. The Aizawl branch office's level may be raised and adequate powers delegated. This may improve things. NEDFI's 11th Plan envisages sanctioning of loan to the tune of Rs. 2,300 crore. I hope that Mizoram would get some benefit out of it, particularly for development of power, roads, tourism, food - processing etc.

I would not like to take any more of your time. Vision or no vision the imperatives of development have to be taken care of on priority. One such imperative is to ensure to finance by the common man. Otherwise, a vision will remain a mere day-dream and NER Vision: 2020 may meet the same fate as the Shukla Commission report did. Thorat Committee report provides workable remedies to the problems of banking and finance in NE Region. Let its recommendations be acted upon swiftly with a sense of purpose.

Let me thank the organizers for giving me this opportunity and the audience for lending their patient ears.