

AN ANALYSIS OF THE ROLE OF BANK CREDIT IN DEVELOPMENT OF AGRICULTURAL SECTOR IN BIHAR WITH SPECIAL REFERENCE TO WEST CHAMPARAN DISTRICT

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ABSTRACT

This Research Paper Deals with “An analysis of the Role of Bank Credit in Development of Agricultural Sector in Bihar with Special Reference to West Champaran District”

The research work is carried out mainly on impact of bank and their functions i.e. granting loans, reduction in interest rates and other beneficiaries on the development of farmers and other agricultural sectors.

This work is based on survey of particular area to analyze the credit benefit on farmer’s development and the problem faced by the farmers in borrowing from the banks and also to develop new innovative method of delivery through better use of technology.

On analysis of the findings of the statistical data it appears that the higher the interest rates lower the demand for bank loans. High interest rate disables the farmer for forming business. High interest rate has adverse effect on the development of growth of forming and other related businesses in West Champaran, Bihar.

It is due to the fact that the farmers depend very much on availability and accessibility of funds at reasonable rates.

Keywords: Credit Benefit, Irrigation System, KCC, GDP, India

INTRODUCTION

Agriculture is a very huge and important sector of the Indian economy. It plays major role in the Indian economy and overall development of the country. Agriculture is the source of livelihood of more than 60-65 per cent of the population in India and contributes less than 20% to GDP, including share of exports. To face the requirement of the growing population and challenges to occupy rapid developing economy, our agriculture system has to be changed. It must grow fast and get modernized. It requires the high inputs, use of high yielding hybrid seeds, organic fertilizers, insecticides, pesticides, recently developed new

technical equipment's and machineries which need huge investment. The Indian rural agricultural sector depends upon a large number of labours, and due to scarcity of appropriate capital for the investment in agriculture, it is not possible to get genuine benefit without adequate credit from the banks at reasonable interest. Agriculture plays various roles in Indian economy like

- Providing huge employment, at the time of Independence around 70-75% population was engaged in agriculture and allied activities.
- Supporting Industries, agriculture has a big role in the development of industries especially in agro-based industries like textiles, sugar, tea, paper etc.
- Share in national income, agriculture contribute a huge share in the country's GDP.
- Contribution to government revenue.

India agricultural system has to face a great challenge to meet the demands of the future. It has to adopt new strategy policy for global environment of a free trade. It has to create a favorable condition for transforming its traditional agriculture system in to a modern market oriented system.

Formers get Institutional credit to develop farming process and get high yield. Since institutional credit has a catalytic role in development process. Government policy allows adequate, timely, liberal credit to farmers at reasonable interest rate and has become integral part of the agricultural development. At present agricultural credit in our country is provided through commercial bank including private sector banks, regional rural banks and co-operative banks.

State Bank of India is the oldest and one of the largest commercial bank in India; it is serving the people more than 200 years back. The bank provides a full range of corporate, commercial and retail banking services in India. Indian central bank namely Reserve Bank of India (RBI) is the major share holder of the bank with 59.7% stake. The bank is capitalized to the extent of Rs.646bn with the public holding (other than promoters) at 40.3%. SBI has the largest branch and ATM network spread across every corner of India. The bank has a branch network of over 14,000 branches (including subsidiaries). Apart from Indian network it also has a network of 73 overseas offices in 30 countries in all time zones, correspondent relationship with 520 International banks in 123 countries. It caters to the needs of agriculturists and landless agricultural labourers through a network of 8750 rural and semi-urban branches. Apart from the branches, there are 428 Agricultural Development Branches (ADB) which also cater to agriculturists (www.sbi.com).

State Bank of India have covered a whole gamut of agricultural activities like crop production, horticulture, plantation crops, farm mechanization, land development and reclamation, digging of wells, tube wells and irrigation projects, forestry, construction of cold storages and godowns, processing of agri-products, finance to agri-input dealers, allied activities like dairy, fisheries, poultry, sheep-goat, piggery and rearing of silk worms.

Schemes for Agriculture Sector

SBI has schemes and products both for short term requirements as well as long term requirements of agriculturists. "Kisan Credit Card (KCC) is a popular package to cover the

short term requirement of the farmers carrying four components of their requirement viz. crop production requirement, ancillary requirements like repair and maintenance of pumpsets, pipeline, purchase small implements etc., their recurring requirements for allied activities like the maintenance of couple of farm animals and contingent needs that may arise during the year.” (www.sbi.com)

Roshan Singh et al. (1978) studied the pattern of flow of credit in Bichpuri development block of Agra district in Uttar Pradesh. They found that the pattern of financing agriculture was similar both at the national and district level.

Nair (2000) reviewing recent trends in rural financial intermediaries and commercial banks in India indicated that the commercial banks credit to rural areas during the late 1980's and early 1990's has shown a deceleration in growth. The relative proportion of bank credit flowing to priority sector, especially agriculture was fallen below the target of 18 per cent at a national level since the mid 1980's.

Thanarathnam (2006) while studying the working of primary agriculture co-operative bank, analyzed the loan dispersed by the bank. He found that 24 per cent of the farmers stated easy accessibility and 76 per cent of the farmers stated low rate of interest were the reasons for borrowing from co-operatives, which was a good indicator of good performance of bank. He found that difficulties in getting loans were due to the difficult procedures for 22 percent, cost of availing loans for 16 per cent, security required for 24 per cent, untimely loans availability for 18 per cent of the farmers along with difficulties in providing documents for 20per cent of the farmers. He opined short term loans were generally provided on personal security. Therefore, the problem of providing security as a problem could be easily remedied.

Ramappa and Sivasankaraiah (2007) studied that the share of agriculture loan in the total priority sector advances was considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agriculture loan in 2004-05, crop loan alone accounted for 93.31 per cent.

Deb and Rajeev (2007) while studying the credit pattern of borrowers form the formal sector in Hooghly district of West Bengal concluded that the entire set of medium farmers could avail loan within a period of one month, this percentage declined to 83 for the small farmers and 75 to the marginal ones. As these loans were crop loans, one can easily imagine the problem of disbursement.

In particular, four per cent of the marginal farmers needed to wait for six months, for the disbursement of loans. He also identified that poor farmers incur high transaction cost in availing the funds as the “number of visit to the bank”. While the small and medium farmers require to visit twice, as 29 per cent of the marginal farmers visited the bank premises more than five times (of such visit involves opportunity cost for the farmers) which may be due to the fact that marginal farmers were educationally backward, it was a comment on the free flow of information to the borrowers.

NEED OF THE STUDY

The need to support the agricultural sector has been well recognized and the efforts in this direction have been enormous and institutions set up to aid this sector are aplenty.

For a developing country, it is essential to support the agricultural sector. Although the efforts in this direction has been made enormously and many institutions set up to aid this sector. The agriculture sector is considered as the backbone of our economy but unfortunately it is still gambling on monsoon and dependent on informal credit.

The problems faced by the farmers broadly relate to inabilities to understand and take advantage of various facilities available from commercial banks, regional rural banks, co-operative banks, local area banks, government agencies, self help groups and micro finance institutions. Their problem arise from the absence of steady income, high fluctuations in the prices of their products, high level of inflation, increased inputs costs undependable infrastructure such as electricity, transport, marketing and stored rural storage facilities.

Basically development of agriculture and rural sector is a state subject. Hence the initiative and leadership would have to come from the states. The introduction of agricultural development based on which allocation of resources and grant of initiatives by the central government can be made and perhaps it is a good beginning.

SBI is the largest banking sector of India which fulfils the agricultural needs of the country. By reviewing the literature it is obvious that not much work has been done on the role of SBI credit in Bihar particularly in WEST CHAMPARAN District.

OBJECTIVES OF THE STUDY

1. To analyze the SBI credit benefit on farmers development.
2. To analyze the problems faced by the farmers in borrowing from the SBI.

SAMPLING PROCEDURE

Research has been done through the primary data and secondary data. I selected the difference samples like small farmers, medium farmer, and larger farmer.

- Small farmer = farmers having .5 to 1 acres land.
- Medium farmer = farmers having 1 to 2.5 acres land.
- Larger farmer = farmers having more than 2.5 acres land.

Source of Data

- Primary data
- Secondary data

Primary Data- Primary data collected through face-to face interaction with farmers & interview with BANK MANAGER, by meeting them in personal and questionnaires, needed.

Secondary Data- The secondary data used for their study are inclusive of the data collected from internet, and brochures, magazines and articles.

Sampling Technique

The convenient sampling method was used in research.

Sampling Size

I have taken sample 50 each size of respondents.

- 150 farmers (50 small farmers, 50 medium farmers, 50 larger farmers)

Sampling Area

West Champaran (Bagaha, Basgav, Narkatiyaganj, Bhairaganj, Ram nagar etc)

Place(area)	Small farmer	Medium farmer	Larger farmer
BAGAHA	10	10	10
BASGAV	10	10	10
NARKATIAGANJ	10	10	10
RAMNAGAR	10	10	10
BHAIRO GANJ	10	10	10

Instrument

A questionnaire is the major instrument that was used to collect the data. The questionnaire was used in order to get a standard form of answers or response.

DATA ANALYSIS

Frequencies, percentages, bar graphs.

The Research Design

The research design used is survey design. Research design is the specific data analysis techniques or methods that the researcher intends to use. The survey design involves the collection and analysis of data, and finding out the answers concerning the current status of the subject. Also, it is a study of variables in their natural setting or under usual circumstances. This comprises observation of facts, formulation of hypothesis, collection and classification of data, interpretation of data, formulation of theories, application of facts and predictions.

Since human behavior is difficult and can not be predicted, it makes the results of the research at times not to be applicable to the population.

ANALYSIS OF DATA

1. Do you fear from taking loan?

OPINION	FREQUENCY	PERCENTAGE
YES	25	17%
NO	125	83%

Interpretation

83% of farmers do not fear from taking loans, but 17% says, that they fear from taking loan.

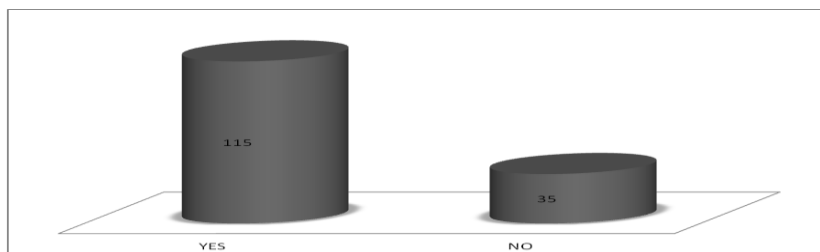
2. Have you ever applied for a loan?

VIEW	FREQUENCY	PERCENTAGE
YES	110	73%
NO	40	27%

Interpretation

73% of the farmers have applied for the agricultural loan, but 27% do not applied.

3. Does the procedure of sanction of loan is complex?



Interpretation

77% of farmers believe that procedure of sanction of loan is somehow complex. While 23% do not believe so.

4. What is the role of agents/brokers in sanction of the loan?

VIEW	FREQUENCY	PERCENTAGE
POSITIVE	93	62%
NEGATIVE	57	38%

Interpretation

A large number of farmers (93%) believe that agents play positive role in sanction of the loan, while 7% are in oppose.

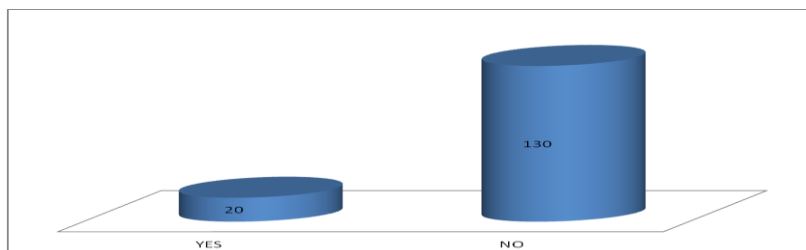
5. Does the role of co-operative banks and LDBs are helpful in development of farmers?



Interpretation

60% of farmers say that co-operative banks and LDBs help a lot in their development.

6. Have you knowledge regarding guidelines of agricultural loan?



Interpretation

Only 13% of farmers have knowledge about the guide-lines of the loan while a large number (87%) do not have knowledge about the guidelines

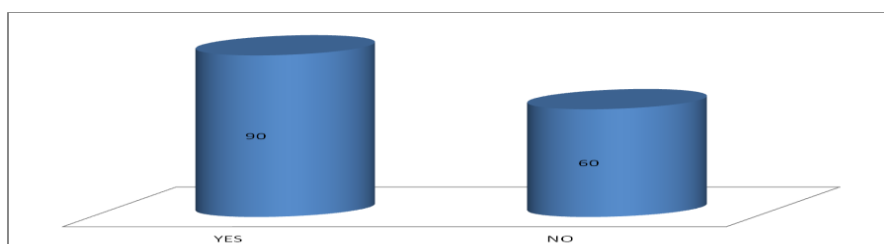
7. Do you find it tough in paying the loan?

VIEW	FREQUENCY	PERCENTAGE
YES	20	13%
NO	130	87%

Interpretation

87% of the farmers say that they pay the loan easily, but 13% find it tough.

8. Do you know about new technologies such Hybrid seeds, KCC etc?



Interpretation

60% of the farmers have knowledge about the new technologies.

9. Do you know about transactions through ATM (KCC) Card?

	FREQUENCY	PERCENTAGE
YES	65	43%
NO	85	57%

Interpretation

Only 43% of farmers have knowledge about transaction through the ATM Cards. However 57% do not have the knowledge.

10. Are you able to bear the expenses of application of new technology in agriculture?

	FREQUENCY	PERCENTAGE
YES	55	37%
NO	95	63%

Interpretation

Only 37% of farmers are able to bear the expenses of new technology in the agriculture.

Views of Banker

On the basis of the interview taken by bank officials, following conclusions are as follows:-

- Bank provides both the short term and long term loans for the agricultural purpose at various terms & conditions and the rate of interest are in accordance with the respected schemes in the range of 7 to 11%. There is no any upper ceiling for the short & long term loans.

- Agricultural credit for developing forestry, horticulture, farm mechanization, construction of cold storage, processing of agricultural products, fisheries, poultry, piggery, and rearing of silkworms, milk production, animal husbandry are provided by the banks which helps in improving the economic condition of the farmers.
- Government provides subsidies through the bank to the farmers time to time for agricultural loan which helps in improving the condition of farmers.
- By giving the KISSAN CREDIT CARD (KCC) facilities, bank is now targeting the agri based customers to improve the life style of the agriculturists.

FINDINGS

This study examined the impact of agricultural credit through bank & co-operatives on rural people in West Champaran.

- I find the inference or conclusion that about 75% farmers who takes advantage of banking credit are in well condition as they pay the loans easily.
- Farmer deposits their money in banks by opening account and takes loans on the basis of their account easily. Thus about 80% of the farmers save their money in bank safely.
- The farmer use to for banking credit and making a sound environment among the farmer who feel fears in taking loans and thus they helps in reformation & development of agricultural sector.
- The banks are providing knowledge about the new technology such as Hybrid seeds, K.C.C, sprinkle irrigation system etc. which are helpful in development of farmers & agricultural.
- Most of the farmers are aware about the new technology and they want to apply them in their agriculture method but they are not able to bear the expenses of the new technology as they are very costly so they contact bank for the agricultural loan.
- It is found that procedure of sanction of loan is complex as the farmers have to deposit various documents from different authorities and it takes a large number of days to sanction the loan hence some farmer goes to the agents and brokers to make the sanction of loan easy.

SUGGESTION

- The banks should appoint such officials who go to the farmers of remote areas and make them aware about the agricultural policies of the banks in their own languages. This will make the farmers directly interacted with the bank & its policies.
- The procedure of sanction of loan should be easy i.e the number of documents required for it should be as less as possible.
- The Banks should have to launch the campaign for the awareness of bank polices in the remote villages.

- The bank should provide the knowledge about new technologies under joint programme with the help of IERT and Agricultural scientists and engineers.
- Additional credit union should be set up in the localities.
- The training for transaction with the ATM or KCC card should be provided to the farmers.
- The bank should have to launch the awareness programme to make farmer aware about the guide lines and polices of the bank.

CONCLUSION

The findings of this study show that, the higher the interest rate, the lower the demand for loans. In addition, high interest rates cripple farming businesses. That is, higher interest rates tends to have an adverse effect on the development or growth of farming or businesses in West Champaran, Bihar since they depend very much on availability and accessibility to funds at reasonable or favorable rates.

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