

AN ANALYSIS OF COMMERCIAL BANK FINANCE TO AGRICULTURE FOR BOOSTING INDIA'S ECONOMY SPECIAL REFERENCES TO BIHAR

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Abstract

Agriculture is the main means of subsistence for around 55 percent of India's total population, making India one of the most important countries in the global agricultural industry. In addition to having the biggest cattle herd (buffaloes), the greatest area planted to wheat, rice, and cotton, and the largest production of milk, pulses, and spices in the world, India also boasts the most acreage planted to cotton. It is the second-largest producer of fruit, vegetables, tea, cotton, sugarcane, wheat, rice, and sugar, and it is also the second-largest producer of farmed fish. The agricultural industry in India is responsible for providing livelihoods for about half of the country's population and holds the record for the second-largest agricultural area in the world. Therefore, farmers become an essential component of the sector that is responsible for supplying us with means of subsistence. After experiencing a decline brought on by the pandemic, consumer expenditure in India is projected to start climbing again in 2021, with growth of up to 6.6%. Because of India's enormous potential for value addition, especially within the food processing sector, the country's food industry is on the cusp of experiencing enormous expansion, which will result in a greater annual contribution to the global food trade. It is one of the major sectors in India and ranks fifth in terms of production, consumption, export, and predicted growth. The Indian food processing industry accounts for 32 percent of the overall food market in the nation.

Introduction

Agriculture drives India's economy. 19% of GDP and two-thirds of the people depend on it. The Approach Paper to the Eleventh Five Year Plan sets a 4% agriculture sector growth target within a 9% GDP growth target. Farmers invested in farmlands, bunding, land reclamation, farm equipment, farm buildings, cattle, irrigation, poultry, storage, and transport equipment. This article attempts to determine how much capital the sample farmers invested in agriculture and what factors influenced it. A scale with ten components measured farmers' capital investment in agriculture and its level. Farmers that reported a medium degree of capital investment had the most farmers and the most capital investment. Educational qualifications and family size affected agricultural capital investment. Farmer experience, communication media use, and training programs also affected capital investment. The socially, economically, and technologically backward Indian population did not see agriculture as productive. Limited inter-sectoral mobility of workers, resources, and technology has produced a vicious circle of technical isolation in the agricultural industry.

Agriculture is India's leading industry in terms of employment, and it is responsible for the provision of means of subsistence for a sizeable proportion of the country's population, particularly in rural regions. Farmers, agricultural laborers, and employees involved in associated sectors like as fisheries and livestock husbandry all depend on it as a source of income and a means to maintain themselves and their families. Despite the fact that the agriculture sector's contribution to India's Gross Domestic Product (GDP) has been steadily decreasing over the course of the years, it continues to play an essential role. In recent decades, agriculture and related industries contributed roughly 17–18% to India's gross domestic product (GDP). Even while the contribution to GDP has decreased, the fact that such a high percentage of the population works in agriculture ensures that it continues to be a key factor. The agricultural industry is extremely important to the process of guaranteeing the nation's continued access to safe and sufficient food supplies. The increasing needs of India's ever-expanding population are partially met by the country's own agricultural output, which plays a significant role in the nation's ability to satisfy its need

for food. The policies and activities of the government are centered on the goal of boosting agricultural output in order to guarantee an adequate food supply. Agriculture and the improvement of India's rural areas are inextricably interwoven. Agricultural activities provide a significant contribution to the overall economic development of rural communities since they are a key source of both revenue and employment in rural regions. The favorable benefits that investments in rural infrastructure, irrigation systems, and agricultural growth have on other parts of the rural economy are known as "spillover effects."

Demand for a variety of inputs, such as fertilizers, insecticides, seeds, agricultural machinery, and irrigation equipment, is stoked by the agriculture industry. In turn, this stimulates the expansion of enterprises associated to the manufacture and supply of agricultural inputs, which in turn generates jobs and promotes economic activity. Rice, spices, fruits, vegetables, tea, coffee, marine products, and other agricultural goods are some of India's most popular exports. India is also a big exporter of coffee. The total balance of trade is positively impacted by India's agricultural exports, which also add to the country's profits in foreign currency and boost the country's standing in the global agricultural trade. The agricultural industry is susceptible to a number of dangers, such as unstable market prices, unfavorable weather conditions, and infestations of numerous pests. It is essential, in order to maintain financial stability for farmers and to reduce the vulnerability of the agricultural industry, to take action against these risks by implementing suitable risk management methods and agricultural insurance programs.

The Indian government supports the country's agricultural industry through the implementation of a variety of policies, initiatives, and projects. This includes monetary aid, crop insurance, the construction of new infrastructure, the conduct of research and development, and the modification of market regulations. These initiatives hope to increase agricultural output while also protecting the welfare of farmers and promoting environmentally responsible farming methods. Employment, Gross Domestic Product, Food Security, Rural Development, and Earnings in Foreign Exchange are all Contributed to by the Agriculture Sector in India. It is still an important part of the Indian economy, and the health of the agricultural sector has a considerable bearing on the general expansion of the economy as well as the standard of living throughout the nation.

Need of Finance in Agriculture

Commercial banks in play Finance to the agriculture is as important as growth of technology. They purchased and used by the farmer's only situation they include money from technical levels. But their own money is for most time insufficient and them necessities external finance and credit. The important situation for the growth of agriculture is the arrangement of the much-needed to credit at normal rates of interest. The claim for capital in agricultural arises from the time when require for land and 4 growth. Need for agricultural equipment, livestock and technology, essential inputs such while seeds, irrigation, fertilizers, pesticides, etc. have to use for food, wear and place of safety to hold on his relations and the farmer. The accessibility of adequate credit has been one of the main handicaps of Indian agriculture. Indian agriculture is going to a major crisis since of the appearance of second production problems related with the Green rebellion such as global economic slump, lack of yield diversification, etc. At the same time, many new and fresh opportunities are also rising in this sector because of the opening up of the global market. The modern technology like the green house mode cultivation and food processing have also come to the force, with has the potential to transform the Indian agriculture forever by the genetic engineering. However, all this requires giant capital investment which an average farmer can't afford.

Bihar Agriculture

Bihar is primarily an agricultural state where farming is subsistent in nature. It is one of the nation's strongest states in terms of agriculture. The agriculture sector employs almost 80% of the state's population, which is over the national average of 58%. In India, Bihar is the eighth-largest producer of fruits and the fourth-largest producer of vegetables. Some of the industries in the state that are expanding swiftly include food processing, dairy, sugar, manufacturing and healthcare. Hence, agriculture is the main driver of wealth in Bihar. The agriculture sector can be described in detail in terms of crops and irrigation.

Bihar is one of the fastest-growing states in India. Bihar's per-capita net state domestic product (NSDP) has grown significantly. Bihar is a state that mostly produces agricultural goods. Bihar produces a

significant share of the fruits and vegetables consumed in India. Nearly a third of the people in Bihar are employed in agriculture. Additionally, a number of enterprises find the state to be an appropriate place because of its vast pool of affordable industrial labour. Therefore, the state holds impressive success in the mining and manufacturing industries. Bihar saw the second-fastest growth in vehicle registrations in India between 2009 and 2013, according to the Year Book of Road Transport 2013.

Bihar is one of the major producers of vegetables and fruits in India with 9.8 and 6.7 percent of national production respectively. It ranks third and sixth among other States in the production of vegetables and fruits respectively.

Bihar is one of the largest producers of fruits and vegetables in the country. Bihar accounts for 71% of India's annual litchi production. Makhana cultivation is done in about 5000 hectares in the entire country, and produces 90% of the world's fox nuts. In fruit cultivation, the third largest producer of pineapple, as well as a major producer of mango, banana, and guava. Few Bihari Farmers are turning to strawberry cultivation for better economical return. Also, better economical return has attracted former to cultivate Kamalam (dragon fruit). Corrigendum one of the world's costliest crop is now under cultivation in Bihar by few farmers.

Review of literature

Sharmishta Matkar and Anil Keshav Jadhao (2015) in their study stressed on aspects related to challenges and other issues faced by farmers regarding agricultural credit. It was found that the flow of credit from institutional lenders towards agriculture is constrained by factors such as high transactional costs in lending for small amounts, deficiencies in the structural form of the rural credit delivery, issues that relate to low credit worthiness of the farmer, lack of sufficient collateral surety due to low asset base of farmers, and less amount of loan disbursement because of perceived association of high levels of risk and higher requirement of man power. It was concluded that the credit delivery system to the agricultural sector was ineffective and inadequate.

Saeed Ur Rahhman and Abid Hussain and Muhammad Taqi (2014) in their study mainly concentrated on investigating the impact of agricultural credit on productivity of agriculture in Pakistan. According to them, requirement of agricultural capital is just like any other business. Timely availability of capital is essential to the use of improved seeds, fertilizers and essential technologies which could increase the productivity of farmers that could ultimately lead to higher growth rate. They, hence, concluded that agricultural credit is an essential aspect for the modernization of the agricultural sector. The study also concluded that micro credit, an essential form of credit for small farmers, should come in packages that include input supply like seeds, fertilizers, pesticides, technical know-how, marketing, etc. This could lead to increase in the income of borrowers and thereafter improvement in repayment conditions.

Kempe Gowda.P. (2014) focused on the study after independence India government appointed many committees for rural and agricultural credit and working improvement of agricultural credit by RBI other government bodies. He focused on what is the major impact and assurance of farmer credit facility in the rural area. He concluded that direct credit programs have adverse implications for the profitability of the banks because of the stipulations of concessional lending rates on priority sector credit and the element of subsidy.

Veerpaul Kaur Maan and AmritpalSingh (2013) studied (NABARD) in respect to all matters relating to policy, planning and operational aspects in the field of credit for the promotion of agriculture and allied activities in rural areas. The present work has, therefore been undertaken to study pattern of regional distribution of institutional agricultural credit by commercial banks and growth of agriculture. This study attempts to find how far the commercial banks have succeeded in reducing the regional gaps in the supply of farm finance.

Harpreet Kaur Sandhu (2012) focused on Agricultural credit in India. He analyzed Agricultural credit system failure in the country, because banks and government were not increasing financial support to this sector in every union budget from year to year. The credit has been doubled in 2002 financial year but it does not have effect on actual productivity and employment end is not visible. By understanding the

results of these efforts that would be reflected from production figures which are also herein and clear, in conclusion the production figures do not show any significant effect on increased credit.

Rabindra Kumar Mishra (2011) analyzed the flow of institutional agricultural credit by different banks to the farmers and their overdue profile, a field study of three villages of Bargarh district (Orissa), India was conducted. He concluded that the over dues in the credit is the major problem in low income and failure of crop.

B.B. Barik (2010) studied on “kisan credit card scheme – a vibrant involvement for decreasing the rural poverty” recognized that the importance of improvement of flow of credit to the rural sector and decline of the dependence of farmers on non-institutional sources of credit, NABARD presented the Kisan Credit Card (KCC) scheme.

Abedullah, N.Mahmood, M.Khalid and S. Kouser (2009) have focused on livestock sector in enhancing the agricultural productivity is well recognized and its contribution to remove poverty in rural areas is enormous. This study also assesses the role played by the credit in the growth of livestock sector and to estimate its role in the contribution of farmer’s total income. They have come to a conclusion that the study on livestock sector might help to consume the unemployed and unskilled rural labor at their door steps which might help to mitigate the migration process of unskilled rural labor towards cities.

Thus, the review of earlier studies reveals that the inferences noted above are derived from the experiences of different areas with diverse socioeconomic background. Though the above mentioned studies have been useful in highlighting different issues relating to agricultural financing, by the very nature of their objectives, they have not been able to probe deep into various aspects of financing of agriculture by commercial banks.

Objectives of the study

- 1) To study the role of commercial banks in the sphere of agricultural financing in Bihar in general and in Bhagalpur district in particular.
- 2) To study the socio-economic profile of Bhagalpur district.
- 3) To study the evolution and growth of commercial banks.
- 4) To examine the role of credit agricultural development.
- 5) To analyse the composition of banks' credit and inter-bank variations in credit flow
- 6) To analyse inter-block variations in credit flow.
- 7) To evaluate the banks' performance in achieving the targets.
- 8) To offer useful policy measures having bearing on agricultural financing by commercial banks operating in the study area.

Research methodology

The study on the topic of commercial bank finance to agriculture for boosting India’s economy special references to Bihar is mainly based on the secondary data. Besides, Secondary data, Primary data have also direct personal interview of financial institutions). been used which has been obtained by with the respondents (farmers & officials Hence both the in this study. direct personal documentary As stated, Interviews and interview methods have been used Primary data have been collected by while secondary data have been taken from published and non-published resources and partly from the Official records of the financial institutions and government departments of the district. My personal discussion was also held with some branch managers / field officers of the different financial institutions regarding difficulties experienced by them. For the personal investigation, a field survey of farmers (borrowers and non borrowers), a multi stage stratified random sampling techniques have been adopted

Limitation of the study

The study is confined to Bhagalpur District and therefore the conclusion cannot be comprehensive to the entire universe. The Findings, Suggestions and the conclusion may be applicable only to the agricultural finance towards agricultural lending and recovery towards commercial banks and not for other banks. Reliability and validity of the statistical data are obtained from the opinion given by agricultural finance which may differ from time to time because of their Government policy and RBI guideline.

Conclusion

The overdue position among all the credit institutions in the formal sector namely commercial Banks has seriously hampered the expansion of agricultural credit. The reasons for poor loan recovery were largely attributed to lack of sufficient field staff to ensure follow-up after the sanction of loan and absence of statutory powers to induce prompt repayment by the borrowers as far as the banks are concerned. In addition, the government's populist policy of waiving off loan has created mass psychology in the rural areas to withhold repayment and wait for some type of loan waiver programme to come to their rescue. More importantly, the reasons for non-payment of the loan amount by the borrowers were, frequent crop failure, diversion of the loan amount for purposes other than agriculture, farm investment turning out to be unproductive, the income from the crop yields was not sufficient to repay the loan while maintaining their families and priority given to the repayment of loans borrowed from the private moneylenders. Some of the suggestions for prompt recovery of loans includes continuous supervision and follow up action after the loan is dispersed, realistic assessment of loan requirement and providing technical support to the farmers to increase the productivity which will ensure better repayment by the borrowers.

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