



An Economic Analysis: Agricultural Finance By Commercial Banks With Special Reference To Bhagalpur District

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ABSTRACT

The agriculture credit is a plays very central function in the growth of agriculture and the countryside economy. The openness of adequate and lucky credit, as an essential commitment to farming, has a lot of importance to the borrowers. The accessibility, costs, consumption and return from the investment hold great implication from an economic position. In India the credit disbursements to agriculture are through by the agencies. The agencies include moneylenders, commission agent's traders; institutions include the Cooperatives, Commercial Banks and Regional Rural Banks. Even though the official agencies develop their lending to agriculture various, the supplies of the farmers are not fully met. The commercial banks doubled the quantum of lending to the agriculture for the duration of last few years; quiet the ration, particularly of the little and insignificant farmers. The institutional lending to agriculture has a number of bottlenecks, which include in the direction faced together with the borrowers and lenders. In this environment, the present study to estimate the views of the borrowers involving to ease of understanding, cost, and impact of credit and refund of loan. The perceptions of the bank officials and the problems coupled with agriculture lending are also taken into consideration.

Keyword: Growth, Economic Position, Moneylenders, Insignificant Farmers, Environment.

INTRODUCTION

The word agriculture is the English adaptation of Latin agricultural, from ager, means "a field" and cultural means "cultivation" and in the strict sense of the word, tillage of the soil the production of food and goods through farming and forestry refers by Agriculture. Agriculture was one of the key to development that led to the rise of civilization, with the husbandry of domesticated animals, creating food surpluses and plants that enabled the expansion of more densely populated and stratified societies. Agriculture covers a wide variety of specialties and techniques, including expand the lands suitable for plant rising by digging water channels. The Commercial banks award rural money to the ranchers for their farming and related exercises. The agricultural financing of commercial banks includes direct finance and indirect finance. The direct rural money implies the credit given to agriculturists for their horticultural creation and agrarian formative exercises. Indirect

finance includes loans and advances arranged to institutions, organizations, agro-based industries and other agencies which provide agricultural seeds and amenities future for marketing, etc.

The importance of agricultural sector did not get due to share of institutional credit for a long time. Until the cooperative credit institution was the year 1967 to explain financing agriculture considered to be the sole responsibility. However with the rising demand for credit for agriculture and allied activities on account of growing emphasis laid on higher agricultural production as also the technological breakthrough achieved by Indian farmers, the resources of the cooperative sector turned to be inadequate. Commercial banks were as a matter of national policy, called for the first time in 1967 to provide finance to agricultural sector. Their role in this direction assumed considerable significance after the nationalization of fourteen major commercial banks in July 1969. Again in 1980, six more commercial banks were nationalized and the tempo of credit delivery of the commercial banks was continued. The essential of agricultural credit cannot be over-emphasized. Agricultural credit should reach the agriculturist at the right time, at the right quantity and at favorable terms.

DEFINITION OF AGRICULTURAL FINANCE

Agricultural finance for the most part implies contemplating, inspecting and dissecting the monetary viewpoints relating to cultivating exercises. The monetary angles incorporate cash matters connected with horticultural creation and their removal. When we speak of the financial aspects in agriculture, it relates with the issues that are concerned with capital requirement for agriculture, mobilization and utilization of funds. Murray (1953) defined that it is an economic study of borrowing funds by farmers, of the organization and operation of farm lending agencies, and of society's interest in credit for agriculture. Tandon and Dhondyal (1962) characterized horticultural money as a part of rural financial matters, which manages the arrangement, and the executives of bank administrations and monetary assets connected with individual homestead units. The following are inferred from the above definitions of agricultural finance: All the farmers should be purveyed requisite finance; Finance should stimulate and enhance the productivity of scarce farm resources; and Farm finance has a vital and catalytic role for agro-economic development of the farmers. Agricultural finance can be viewed both at macro and micro-levels. Macro level finance deals with the different sources of raising funds for agriculture as a whole in the economy and is also concerned with the lending procedures, rules, regulations, monitoring and controlling procedures of different agricultural institutions. Thus, macro level finance pertains to financing agriculture at the aggregate of the individual farm business units. On the contrary, micro level finance refers to the financial-management of the individual farm business.

COMMERCIAL BANKS AND ECONOMIC DEVELOPMENT IN INDIA

Commercial banks are considered not simply as vendors in cash, yet in addition the forerunners in monetary turn of events. They are not just the storage facilities of the nation's abundance, yet additionally the supplies of assets vital for monetary turn of events. They assume a significant part in the monetary improvement of a country. An advanced financial framework is fundamental for the monetary improvement of a country. The "Modern Revolution" in Europe in the nineteenth Century could never have been conceivable without a sound arrangement of Commercial banking. In the event of non-industrial nations like India, the Commercial banks are viewed as the foundation of the economy. Commercial banks can add to a country's monetary advancement viz. speeding up the pace of capital arrangement, arrangement of money and credit, adaptation of economy, advancements, execution of financial strategy, support to right sort of ventures, improvement of horticulture, provincial turn of events, advance modern turn of events, and advance Commercial temperances and satisfaction of financial goals. Along these lines, banks in a non-industrial nation need to assume a unique part. Monetary improvement puts weighty expectation on the assets and inventiveness of the financial framework.

REVIEW OF LITERATURE

Hardeep Kaur (2015) has examined the performance and structure of cooperative banks in the state of Haryana. The study is based on the secondary data. The paper covers the period from 2002-03 to 2009-10. Ratio analysis is also done to figure out some more facts about the co-operative banks. As statistical weapons average, percentage and coefficient of variance have been applied. The co-operative banks suffered losses during the study period.

Siddharth Mishra (2013) said that, the performance of UBI has not been satisfactory as the agricultural advances. The advances given by BOB and SBI had increased, during the study period.

Rangarajan. C. Dr. (2008) Banks hesitate to finance tenant farmers/oral lessees as they do not have documentary proof of their right to till the land for raising crops or for investment purposes. Recording of tenancy and ownership rights on land is an important measure to enable access to credit. Certificates by revenue officers or a system of land cultivation certificate by the Village Panchayats or local bodies may be made acceptable as documentary proof for cultivating the land.

Baij Nath Singh. Dr. (2004) discusses rural women are an important segment of the society because of their active participation in home and farm affairs, the extent of participation in the decision making activities in house hold, agricultural and socio-cultural affair reflect the

status of women in the family as well as the society. Proper education is only way to change the image of rural women who are undervalued their work and sacrifice.

Ramachandra Rao. B (1990) The researcher has studied the evolution of priority fee advances and their monitoring. He has noted with concern the tyranny of the targets and the problems like M is utilisation of loans, poor recoveries etc., and those arising out of the understaffing of rural financial institutions.

Dr. Ohja (1989) In his article „Banking for the Rural Poor“ has emphasized the importance of non-credit inputs, and estimated their role of various agencies in the provision of institutional finance to agriculture. He has also estimated the performance of the various programs launched by governments from time to time.

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 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.

Credit Needs of Farmers -The agricultural credit needs to the farmers arise due to the current farm technology and inadequate personal property. Timely credit at reasonable rates is essential for the common use of improved agricultural methods. The financial requirements of farmers classified on the basis of time frame for which the funds are required. The period-wise classifications of the loan are: -

Short-term loans (Crop loans)- Short-term credits are required for the purchase of seeds, manures, pesticides, fertilizers, labour and fuel expenses. They are required to be repaid

after the harvest of crops. The crop loans are granted on the basis of cost of cultivation. The cost of cultivation means direct paid out costs of cultivation and the normal time frame of crop loans is up to 12 to 15 months.

Medium term loans- Medium term loans are granted for the purposes such as digging wells, pump sets, purchase of cattle and other implements. The period of loans ranges from 15 months to 5 years.

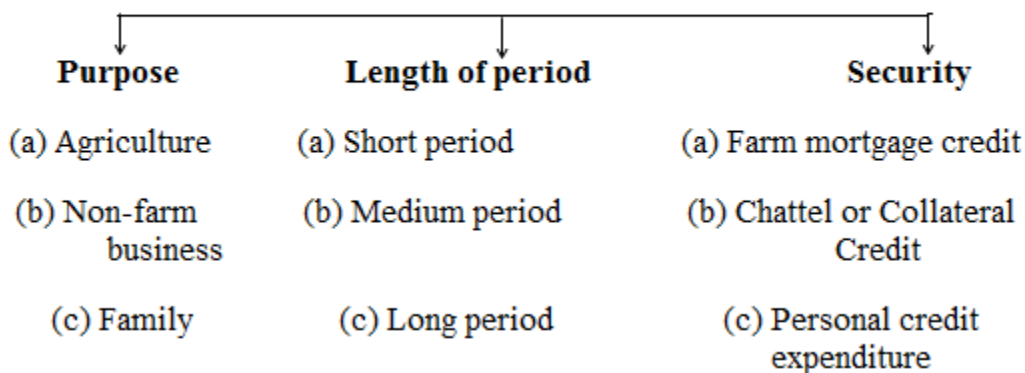
Long-term loans- Long terms loan are required permanent development in land, purchase of land, the purchase of machines, etc. The time frame for these loans is more than 5 years. In any economic bustle, long-term investments are essential to create permanent assets which give returns over by a period of time. Agriculture needed to credit arises because modern farm technology is pricey and the personal possessions of the farmers are inadequate. Provision of agriculture credit, as an input, is essential for the widespread use of improved agriculture methods. The long-term investment requires by large amounts of funds. Although long-term investments have good scenarios to give return in future, the farmers may not have the financial capacity to make such costly investment from their own funds because they have (1) no savings (2) very little savings. Therefore they have to resort to bank borrowings to meet their requirement.

Classification of Agricultural Credit in India

Agricultural credit may be classified on the basis of (a) the purpose for which it is needed, (b) the length of the period for which loans are required, and (c) the security against which loans are advanced.

Classification of Agricultural credit

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Evolution of Institutional Credit to Agriculture

The development of institutional credit to agriculture could be broadly classified into four distinct phases- 1904 to 1969 (dominance of Co- operatives and setting up of RBI), 1969 to 1975 (nationalization of business banks and setting up of Regional Rural Banks (RRBs)), 1975 to 1990 (setting up of National Bank for Agriculture and Rural Development (NABARD)), and from 1991 onwards (Financial Sector Reforms). The formal financing agencies in agricultural credit are:

Co-operative Institutions

Co-operatives play the most important financial institutions in rural areas. The co-operative societies form a vital part of the rural credit system in India and the main source of institutional credit to the farmers. In this team of networking and coverage accounting for about 43 Percentage to share in credit flow by agriculture and cater to the needs for millions of farmers. Co-operative institutions have dominance in agricultural lending in early years, mainly before the entry of commercial banks into the agricultural financing. In 1961 there were more than 3 lakhs co-operative institutions and nearly 2.3 lakhs were credit societies. The population of villages in the jurisdiction of the Agricultural credit societies constituted 55 Percentage of the total population.

Commercial Banks

Commercial banks have plays a major role as an institutional financial agency for providing funds to agricultural operations. The commercial banks required to maintain 40 per cent of their net credit to priority sector activities, of which 18 per cent was meant exclusively for agriculture.

Regional Rural Banks (RRBs)

The field of rural credit is quite varied and complex and the magnitude of unsatisfied demand is so large that the Government decided to create a Rural Banks, new agency to meet the needs of rural people. Accordingly, RRBs were introduced in 1975 to support the institutional rural credit structure. The major objectives of the formation of the RRBs were:

- To specific identify functional gaps in institutional construction of commercial banks and Co-operatives.
- Other institutional agencies to be supplemented.
- To fill the gaps quickly by granting advances to small and marginal farmers, rural artisans and landless laborer.

General Problems in Agricultural Lending – Mean Score and Rank – Sector

In public sector respondents face more problems with limited scope for agricultural expansion and absence of viable agricultural projects because the mean score of limited scope for agricultural expansion is more than median score. Hence respondents face low level problems with all factors except absence of viable agricultural projects and limited scope for agricultural expansion. Because the mean score is lower than the median score three. In private sector all factors mean score come under the median score three. Hence respondents perceived that they have low level of general problems. Overall mean square also indicates that respondents face low level general problems with both sectors respectively.

OBJECTIVES OF THE STUDY

- To study the agricultural finance by Commercial Banks in Bhagalpur District.
- To examine the perceptions of bankers on lending and growth of agricultural credit.
- To find out the problems of agricultural finance in lending and recovery by commercial banks.
- To study the perceptions of agricultural loan borrowers and its technique credit comprehensive by the commercial banks in Bhagalpur District.
- To study the outlay of borrowing and the impact of credit on borrowers.

RESEARCH METHODOLOGY

The researcher has adopted on agricultural finance by Commercial Banks both investigative and explanatory in nature. Data has been collected from both primary and secondary data. The methodology is the details of agricultural finance by Commercial Banks which governs the effect of the followed a line of investigation. It includes beneficiaries by using a controlled interrogate Schedule both from the borrowers and bank officials. Split dialogue Schedules were arranged and administered on loan beneficiaries and bank officials intended for collected works of appropriate information and directs the investigator to bring out the research within a systematic process which ensures and facilitates the honesty of the outcomes.

RESEARCH GAP OF THE STUDY

To conclude, on investigate work is wonderful and absolute by itself. Other than every research contributes to the perspective of human knowledge. It shows glow to promote research in agricultural finance by Commercial Banks in Bihar. The study is a self-effacing challenge to investigate in to the agricultural finance towards lending and recovery in

Bhagalpur district, which is an aspect of classify problems of agricultural finance in lending and recovery by commercial banks.

LIMITATIONS 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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