



A Study On Agriculture Credit And Role Of Regional Rural Bank Special Focus On Bhagalpur Bihar

KAVITA KUMARI UGC NET, Research Scholar, University Department of Commerce & Business Administration, TMBU Bhagalpur, Bihar, India.

ABSTRACT

The history of agriculture in India dates back to the Neolithic. India ranks second worldwide in farm outputs. As per the Indian economic survey 2018, agriculture employed more than 50% of the Indian workforce and contributed 17–18% to the country's GDP. In 2016, agriculture and allied sectors like animal husbandry, forestry and fisheries accounted for 17.5% of the GDP (gross domestic product) with about 41.49% of the workforce in 2020. India ranks first in the world with highest net cropped area followed by US and China. The economic contribution of agriculture to India's GDP is steadily declining with the country's broad-based economic growth. Still, agriculture is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India. The total agriculture commodities export was US\$3.50 billion in March - June 2020. India exported \$38 billion worth of agricultural products in 2013, making it the seventh largest agricultural exporter worldwide and the sixth largest net exporter. Most of its agriculture exports serve developing and least developed nations. Indian agricultural/horticultural and processed foods are exported to more than 120 countries, primarily to the Japan, Southeast Asia, SAARC countries, the European Union and the United States.

INTRODUCTION

The growth of agricultural sector is highly dependent on agricultural credit. Agricultural policies have been reviewed over the years to see to it that there is adequate finance to this sector. Most Indian farmers are financially incapable of selffinance or tap into other sources of financial aid; therefore providing rural credit holds is a major responsibility of the government. Since the time of liberalization in 1991, institutional credit played a major role in financing the agricultural sector. Formal credit lenders like commercial banks, co-operative banks, developmental banks and regional rural banks (RRBs) have been forced to provide credit to this sector at lower costs.

Just as development of technology is essential for the growth of the manufacturing sector, so is finance for the agricultural sector. It is only when farmers have adequate financial capabilities that they would be able to purchase the required technical inputs. Lack of formal

sources of finance forces farmers to borrow from local money lenders who lack professionalism and charge exuberant interest rates.

Till 1935, the only source of finance for agricultural farmers were the local money lenders. These lenders charged unseasonable rates of interest and also practiced inexplicable methods for the repayment. As a result, peasants were over burdened with debt, many of them were left with perpetuated debts and were thrown into bonded labor for the rest of their lives. These practices played a huge role in establishing discomfort for the farmers which led to riots between the farmers and the landlords.

The first cooperative system of credit was organized in New London, Connecticut in the year 1732; it was then that the concept of a formal and a reliable source of credit for the farmers came into existence in Britain. It was only in the 19th century that the government's intervention to fulfill this need was seen, especially for long-term credit to basically purchase agricultural lands. It was during this period that most of the free land that was available in the Western part of the country was possessed under the Homestead Act of 1862. To purchase lands, farmers were in need of long-term credit. Commercial banks at that time were readily offering credit facilities to industrial units and other businesses. However, for agricultural credit high rates of interest were charged. It was a scarce commodity and was given only as short time loans. The need for long-term loans at fixed-rates became the need of the hour with land values constantly rising.

IMPORTANCE OF AGRICULTURE CREDIT

India is dependent on the agricultural productivity of its millions of farmers, most of whom only tend to extremely tiny plots of land. The only reason why they were successful in increasing their yields per acre was because of how hard they worked and how efficiently they did it. Farmers have the key to unlocking the potential of agriculture when they have access to financial resources. Farmers are almost always in need of financial assistance or financing. Because they are unable to access sources of funding at lower interest rates or obtain credit facilities in a timely manner, this has made it difficult for them to acquire improved seeds and manures and to make use of more effective methods and procedures. The peasant community has to be kept informed, in a timely manner, about the many different sources of agricultural finance. The provision of agricultural financing is of great assistance to not just farmers but also lenders and extension workers. Information of the regulatory and legal environment that surrounds the lending activity is necessary for selecting the most suitable lender. This information is necessary since it may assist in providing an acceptable loan volume along with terms and associated services, which is required in order to finance the agricultural sector.

BHAGALPUR, BIHAR AGRICULTURE

Bihar lies in the river plains of the basin of the river Ganga. It is endowed with fertile alluvial soil ground water resources. This makes the agriculture of Bihar rich and diverse. Rice, wheat, and maize are the major cereal crops. Arhar, urad, moong, gram, pea, lentils, and khesaria are some of the pulses cultivated in Bihar. Bihar is the largest producer of vegetables, which is dominated by potato, onion, eggplant, and cauliflower. In fruit cultivation, it is the largest producer of lychee and the third largest producer of pineapple, as well as a major producer of mango, banana, and guava. Sugar cane and jute are two other major cash crops of Bihar.

The net sown area in Bihar is 60% of its geographical area. This percentage is much higher than the all-India average of 42%. Such a high percentage of cultivated land is possible for two reasons. First, most of Bihar is plain area suitable for agriculture. Second, most of the forest had been converted into farmland during the last 2000 years. Currently, land under forest constitutes only 6% of the area.

South Bihar is a productive agricultural center, while North Bihar is hindered by its flood and drought prone geography. In the south, the Ahar-Pyne system of agriculture has long been used to cultivate crops.

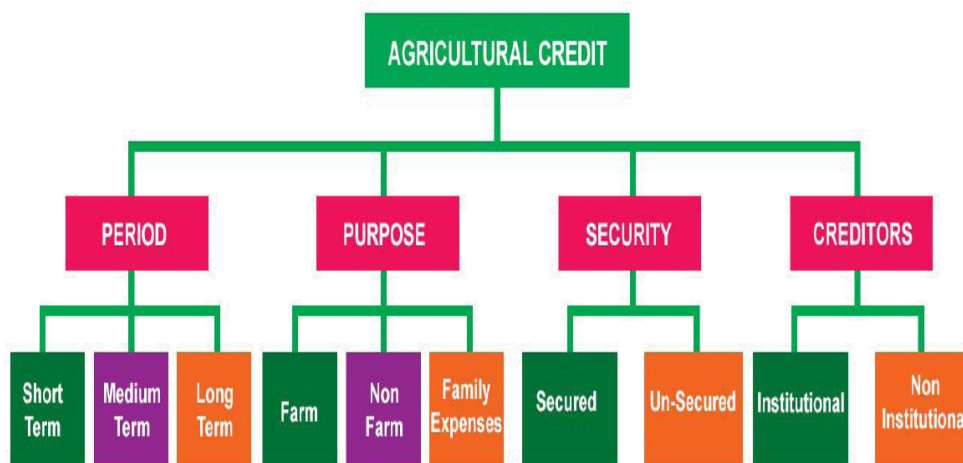
Bhagalpur is a city in the Indian state of Bihar, situated on the southern bank of the Ganges river. It is the third largest city of Bihar by population and also serves the headquarters of Bhagalpur district, Bhagalpur division & Eastern Range. It is known as the Silk City & also listed for development under the Smart Cities Mission by Government of India. It is the only district in Bihar after capital city Patna where three major higher educational institutions IIIT, TMBU & Agriculture University(BAU) are located and also Vikramshila Central University is under construction next to the ruins of ancient Vikramshila University. Bhagalpur Railway Station serves the city. The river around city is home to the Gangetic dolphin, the National Aquatic Animal of India, and the Vikramshila Gangetic Dolphin Sanctuary is established near the town.

The city holds the largest Manasa Puja and one of the largest processions in Kali Puja, an intangible cultural heritage of the region.



CLASSIFICATION OF AGRICULTURAL CREDIT

Generally credit for agriculture is of two kinds, direct credit and indirect credit. In direct credit, finance is provided directly to the farmers for productive purposes such as crop production, land improvements, irrigation, development of dairy, sheep rearing and fisheries etc. while in indirect credit, finance is provided through institutions involved in the supply of production inputs and others relative services of agriculture.



ROLE OF AGRICULTURE FINANCE

Agriculture is an important part of an economy that is growing. About two-thirds of the population depends on this area for work, and it makes up 16.5% of the GDP. Agricultural finance is a part of rural finance that helps pay for things like irrigation, harvesting, packing, wholesale delivery, input supply, basic processing, and marketing. Farmers face a lot of different problems when they work with the field and offer banking services. For example,

the amount they rely on biological processes, the fact that output is seasonal, and the availability of natural resources are all subject to things they can't control, like floods, droughts, or even diseases. Modern farming uses more inputs than it used to, especially in the areas of irrigation, chemical fertilisers, farming machines, seeds, and tools, which has led to a huge rise in the need for agricultural loans. India's farming has become more commercialised because of the use of modern technology, which requires a lot of money. The costs of running an organic farm are spread out over the whole year, but income from farming is seasonal. Also, farmers have to get more and more credit over time because they need more and more money to run their farms. Since giving credit gives people the chance to use more inputs and assets that take a lot of capital when they need them and pay for them later when they have enough money.

CURRENT SCENARIO OF AGRICULTURE IN INDIA

Credit for agriculture is seen as one of the most important parts of all farm growth programmes. Indian farmers are very poor, so they need a lot of loans to help them grow crops. From the start, moneylenders were the main source of credit for farmers in India⁹. After freedom, the government used cooperatives, private banks, regional rural banks, and other organisations like these to give farmers enough credit at a lower rate of interest. Also, the need for farm loans has grown even more in recent years as agriculture has become more modernised in the years after the "green revolution."

Before 14 big commercial banks were taken over by the government in 1969, cooperative banks were the main institutions that gave money to farmers. After these banks were taken over by the government, they were required to give money to agriculture as a key area. These banks started special programmes to open new branches and set up a network of banking services all over the country. They also started giving big loans to farmers. So, credit for farmers became a multi-agency issue. Finance has been a key part of the "Green Revolution," "White Revolution," and now the "Yellow Revolution." Through a multi-agency method, farm credit is now here to stay.

Standardisation has been done on how to get loans and how much you can borrow for different reasons. Short-term loans are used for a lot of different things, but crop loans are the most common. Farmers can also get loans to buy an electric motor with a pump, a tractor, or other equipment, dig or bore wells, install pipe lines, set up drip irrigation, plant fruit orchards, buy dairy animals and feed for them, keep chickens, sheep, or goats, and do many other related things.

Role of RRBs in Agricultural Credit

RRBs are extremely important in Bhagalpur, Bihar and other areas like it when it comes to the provision of agricultural finance and the promotion of rural development. Their roles include the following:

- a) **Credit Disbursement:** RRBs are responsible for the distribution of loans to farmers for a variety of agricultural operations such as crop cultivation, animal husbandry, horticulture, and other associated industries. These loans assist farmers in meeting their financial obligations and improving their levels of output.
- b) **Lending to Priority Sectors:** RRBs place a particular focus on priority sector lending, a category that includes agriculture as a key subcategory. In accordance with the directives issued by the Reserve Bank of India (RBI), Regional Rural Banks (RRBs) are required to allot a certain proportion of their overall lending to priority sectors like agriculture.
- c) **Financial Inclusion:** The Reserve Banks of India (RRBs) have as their primary mission the expansion of banking services into areas that are currently unbanked or underbanked. RRBs provide a contribution to inclusive growth and economic development by providing farmers with loan facilities that are easily available and reasonably priced.
- d) **Technical and Advisory Services:** Regional Reinvestment Banks (RRBs) frequently offer farmers a variety of technical and advisory services in an effort to enhance the farmers' farming practises and boost agricultural output. Training programmes, workshops, and counselling on contemporary agricultural practises, crop diversification, and risk management are included in these services.
- e) **Facilitating the Implementation of Various Government-Sponsored Agricultural Schemes** RRBs are able to facilitate the implementation of a variety of government-sponsored agricultural schemes, such as the Kisan Credit Card (KCC), the Pradhan Mantri Fasal Bima Yojana (PMFBY), and other subsidies and support programmes. They fulfil the role of an intermediary in the process of distributing funds and ensuring that the benefits are received by the appropriate recipients.
- f) **f. Rural Development:** RRBs assist to overall rural development in addition to providing agricultural loans by offering financial services for other sectors such as small-scale industries, rural infrastructure projects, and microenterprises.

REVIEW OF LITERATURE

Kareem, R.O, and Isiaq, T.S (2017) has examined the effect of commercial banks financing and agricultural sector in Nigeria. The study concludes that there is a positive relationship between commercial bank loan to agriculture and the real agricultural gross domestic product. More, the result shows that the model is statistically significant.

Suganyaa. R.V. (2017) has discussed about marginal farmers had performed well to invest in financial and physical assets, and also utilized the factors and inputs. Farmers do agriculture with getting agricultural credit, commercial bank credit and agricultural inputs to meet their various agricultural expenses. It helps the farmers to adopt with reasonable method of cultivation. This study helps to recover the performance which was found to be better, had in its turn induced the effective functioning of the Lead Bank in the study area.

Ali Jude Igyo and Ekpe Mary Jane (2016) has examined the impact of deposit money bank's credit on agricultural output in Nigeria from 1981 to 2014. The found that within the period under review, there was substantial increase in Deposit Money banks' credit to the agricultural sector. Thus, Deposit Money banks' credit is a great and viable means of finance for growth in the agricultural sector in Nigeria even though the growth rate in agricultural output was far from being proportionate. Even so, the ordinary least square method showed that Deposit Money banks' credit to the agricultural sector significantly and positively affected agricultural output in Nigeria.

Selvaraj N and Balajikumar P (2015) in his study, Agriculture in India has been viewed as a way of life, was not considered a productive proposition by the socially, economically and technologically backward population. The intersectional mobility of personnel, resources and technology was very limited and it had created a vicious circle of technological isolation in the agricultural sector. It is suggested that there should be an increase in the levels of investment made by the farm households engaged in the agricultural sector and more particularly by the small farmers.

Sabitha Devi. N (2014) RRBs should not confine their operations only in agriculture sector but also provides benefits to small entrepreneurs, village and cottage industries and small farmers. And they should establish proper co-ordination with other institutional financing agencies, co-operative banks, commercial banks and local participants to enhance their capability and exploit untapped rural market. Rural banks need to remove lack of transparency in their operation which leads to unequal relationship between banker and customer. Banking staff should interact more with their customers to overcome this problem. Banks should open their branches in areas where customers are not able to avail banking facilities due to underdeveloped transport and communication facilities. In this competitive era, RRBs have to concentrate on speedy, qualitative and secure banking services to retain existing customers and attract potential customers.

Gowhar Bashir Ahangar (2013) The study reveals that the institutional credit in India to agriculture sector has been increased in its quantum. The credit provided by the various institutional sources has increased its advances. But an effort has to be taken by the banks to reduce its outstanding, so that the recovered institutional credit should be pumped in to agricultural sector further for its growth.

Kannan. E (2011) He found that the disbursement of credit through institutional sources had a large impact on improving agricultural productivity. However, it points at its inadequacy and thereby urges for widening its coverage both in terms of the amount of credit and the coverage of more number of marginal and small farmers

Padhy. D. C. (2010) The author has discussed the role of commercial banks in the agricultural credit, with reference to schemes, especially Area Development Programme, economic group wise (small, medium and big farmers) and the pattern of assistance to the agriculturists. He has suggested the schemes for bank assistance, can be grouped in their study, various factors viz; time, area and the assistance.

OBJECTIVES OF THE STUDY

- 1 To identify the type of problems faced by the farmers while taking loans from banks and other financial institutions.
- 2 To study the asset creation and income generation of the farmers in the Bhagalpur district Bihar.
- 3 To analyze the various agriculture crop production in Bhagalpur district Bihar
- 4 To offer suggestions to the Government and to the farmers for improvement of access to agricultural credit.

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.

**Budget Estimate, Revised Estimate and Actual Expenditure
(Department of Agriculture, Cooperation & Farmers Welfare)**

Year	Budget Estimate	YOY Growth	Actual Expenditure	YOY Growth
2007-08	5560	-	7059	-
2008-09	10106	81.76	9530	35.00
2009-10	11307	11.88	10870	14.06
2010-11	15042	33.03	17053	56.88
2011-12	17123	10.66	16355	-11.87
2012-13	20208	2.87	17731	8.83
2013-14	21609	18.02	18722	8.41
2014-15	23309	0.95	19192	-7.81
2015-16	16646	5.93	15028	14.53
2016-17	20400	7.87	16347*	2.51

Source: Department of Agricultural, Cooperation and Farmer Welfare

Flow of Institutional Credit to Agriculture Sector (` Crore)

Particulars /Agency	1999-00	2004-05	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Short-Term Credit								
Commercial Banks	11,697	36,793	NA	2,66,928	3,14,951	3,88,730	NA	NA
RRBs	2,423	10,010	38,121	47,401	55,957	70,697	NA	NA
Cooperative Banks	14,771	27,157	69,038	81,829	1,02,592	1,13,574	NA	NA
Other Agencies	74	104	0	0	0	0	0	0
Sub Total(A)	28,965	74,064	1,07,159	3,96,158	4,73,500	5,73,001	6,35,412	64,0268
Medium Term /Long Term Total								
Commercial Banks	13,036	44,688	NA	1,01,688	1,17,540	1,20,275	NA	NA
RRBs	749	2,394	6,172	7,049	7,724	11,956	NA	NA
Cooperative Banks	3,489	4,074	9,083	6,134	8,611	6,389	NA	NA
Other Agencies	29	89	0	0	0	0	0	0
Sub Total(B)	17,303	51,245	15,255	1,14,871	1,33,875	1,38,620	2,09,916	23,7259
Short-Term +Medium Term/Long Term Credit								
Commercial Banks	24,733	81,481	3,45,877	3,68,616	4,32,491	5,09,005	6,04,376	60,4971
RRBs	3,172	12,404	44,293	54,450	63,681	82,653	1,02,483	11,9261
Cooperative Banks	18,260	31,231	78,121	87,963	1,11,203	1,19,963	1,38,469	15,3295
Other Agencies	103	193	0	0	0	0	0	0
Grand Total (A+B)	46,268	1,25,309	4,68,291	5,11,029	6,07,375	7,11,621	8,45,328	87,7527

Source: Department of Agriculture, Cooperation and Farmers' Welfare.

LIMITATION OF THE STUDY

Due to the fact that the research was only conducted in Bhagalpur District, the findings cannot be generalised to apply to the entire universe. It is possible that the findings, suggestions, and conclusion are solely applicable to agricultural financing as it relates to agricultural lending and recovery for commercial banks, and not for any other banks. The reliability and validity of the statistical data are derived from the opinion provided by agriculture finance, which is subject to change on a regular basis due to the fact that their government policy and RBI guideline are always evolving.

CONCLUSION

RRBs in the context of Bhagalpur, which is located in the state of Bihar, will concentrate on addressing the unique agricultural demands and difficulties of the area. They would work together with the local farmers, the government agencies, and any other parties that had a stake in the matter to guarantee the efficient distribution of loans and to encourage environmentally responsible farming practises.

It is crucial to note that precise specifics surrounding the function and operations of RRBs in Bhagalpur, Bihar, may differ depending on the prevalent agricultural practises, local legislation, and the unique efforts made by various RRBs operating in the region. This is something that should be kept in mind.

Agriculture credit plays a crucial role in supporting the agricultural sector by providing financial assistance to farmers for various farming activities. Regional Rural Banks (RRBs) are an important institution in rural areas that contribute significantly to agricultural credit disbursement.

REFERENCES

1. Kamalakannan, K. and Namasivayan N. Institutional Agricultural Credit in Post Reform Period: Southern Economist, Vol. 46, No. 2, May 15- 2007.
2. Padhy. D.C. Commercial Banks and Rural Development (Asian Publication services New Delhi, 2011).
3. Gowhar Bashir Ahangar - A study on institutional credit to agriculture sector in India. International Journal of Current Research Academic Reviews, 2013.
4. Selvaraj N and Balajikumar P. The Role of Commercial Banks in Providing Agricultural Credit in Tamil Nadu (Extent and Factors Influencing Investment) – India International Journal of Agriculture 2015.
5. Selvaraj N and Balajikumar P. The Role of Commercial Banks in Providing Agricultural Credit in Tamil Nadu (Extent and Factors Influencing Investment) – India International Journal of Agriculture 2015.
6. Anil Bhumali: A Co-operative Credit Society's Impact on Credit Demand in Agricultural Production: Economics Affairs Vol. 45, No. 2, June 2000.
7. Suganyaa. R.V. (2017) Role of Commercial Banks in financial Inclusion Journal of Business Management in Research 2017.
8. Kareem, R.O, and Isiaq, T.S. A study on Commercial Bank performance of Agriculture. Journal of Research in Business, Economics and Management (JRBEM) ISSN: 2395-2210, 2017.
9. www.wikipedia.org/wiki/Bhagalpur
10. www.state.bihar.gov.in/krishi/CitizenHome.html
11. www.wikipedia.org/wiki/Bihar
12. www.wikipedia.com
13. www.investopedia.com