

## Various Aspects of Agricultural Credit Policy in Bihar

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**Abstract:-**The Agricultural Credit Policy in Bihar essentially lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, rationalization of lending policies and procedures and bringing down the cost of borrowing. In Bihar Bank credit is available to the farmers in the form of short-term credit for financing crop production programmes and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for the farmer of Bihar for storage, processing and marketing of agricultural produce.

In Bihar as well as in India a multi -agency approach comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. In Bihar the policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit.

**Key word:-** Agriculture, KCC, Farm Machanisation, Fisheries, Dairy & Poultry.

**Introduction:-**In present scenario agriculture credit policy acts as a backbone of agricultural system of Bihar. It is a major agricultural input for the development of farming process in Bihar as well as in all states of India. In recent year there has been a significant improvement in the availability of KCC in the agricultural sector of Bihar. Due to this, the

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farmer of Bihar heavily dependent on KCC at high rate of input the flow of credit for agriculture in the state from bank increase at higher rate.

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In Bihar as well as in India a multi -agency approach comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. In Bihar the policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit.

However, the growth of direct finance to agriculture and allied activities witnessed a decline in the 1990s (12 percent) as compared to the 1980s (14 percent) and 1970s (around 16 percent). Furthermore, a comparative analysis of direct credit to agriculture and allied activities during 1980s and since 1990s reveals the fact that the average share of long-term credit in the total direct finance has not only been much lower but has also decelerated (from over 38 percent to around 36 percent), which could have dampening effect on the agricultural investment for future growth process.

The disaggregated picture as per size-wise distribution of credit reveals that the growth of direct finance to small and marginal farmers witnessed a marked deceleration from about 24 percent in the 1980s to little over 13 percent during the 1990s. Sectoral deployment of gross bank credit reveals that the share of agriculture since the second half of 1990s has ranged between 11-12 percent. As at end March 2016, the share stood at around 13 percent.

Credit is a critical input for the development of agriculture and allied activities. The key task is to ensure a convergence among credit availability, effective credit delivery system in keeping with adequate credit absorptive capacity of the farmer. Mere availability of credit does not ensure its productive use and increased production/value addition. This is more important in the case of small/ marginal farmer who is quite often left out because of the clout of the influential farmers.

Though over the years there has been a significant improvement in the availability of institutional credit in the agriculture sector in the state, it is still considered to be inadequate and inefficient. As a result, farmers in Bihar even now are heavily dependent on informal sources of credit at exorbitantly high rate of interest. The state of Bihar, which has a per capita income of Rs. 5,772 vis-à-vis national per capita income Rs. 23,222, is the poorest state of India. Out of the total branches of banks, 65% of the branches were in rural areas. Bank wise rural branches are—Commercial Banks 6 %, RRBs- 86.5 %, and Co-operative Banks – 17.66 % of the total. There is a gross inadequate density of financial service access points in Bihar. Bihar has a total of 45,103 villages, this translates to one branch in every 13 villages based on the total branch estimates of 2006. This indicates that even to provide basic access to financial services this is clearly insufficient.

In addition to the low density of branch presence, there is the added issue of the nature of services provided by the banking system as a whole. The extreme poverty level of the Bihar are reflected in the aggregate deposit base. The average deposit per individual is only Rs. 55,000 against the national average of Rs. 1,95,000. The situation of advances is even worse for Regional Rural Banks and Cooperative Banks where total amount of advances for the year 2015-16 is only Rs. 22,250 and 5,950 respectively. However, this trend is moving in a positive direction over the years. The Credit Deposit ratio in Bihar is also very poor as compared to the national average. In case of Commercial banks and Regional Rural Banks the CD Ratio in saran is 31 and 36 respectively. The performance of Primary Agricultural Credit Society (PACS) also reflects a similar state. While there are almost 6,000 PACS in Bihar only 19 % of them posted a profit in the year 2014-15 as compared to the national average of 43 %.

Kisan Credit Card (KCC) is another important medium for increasing agricultural credit. At present, there are 1.04 crore landholdings

in the State, but till 2015-16, only 14.5 lakh KCCs have been distributed against the target of 30.5 lakhs. To meet the target of crop loans of Rs.10042 crore in 2016-17, KCCs have to play a very important role. Although total disbursement under KCC has increased almost 2.5 times, from Rs. 342 crore in 2012- 13 to Rs. 815 crore in 2015-16, it still channels only a miniscule proportion of the total credit volume for crop loans.

In the area of micro-finance, more than 17,000 Self-Help Groups had been financed by banks upto 2015 through their priority lending schemes in saran as well as in the state. The target for 2016-17 was to raise the number to 24,000 SHGs and advance Rs. 48 crore through the scheme. As on March 31, 2017, a cumulative number of 72638 SHGs were credit linked to banks and the total credit flow to these SHGs worked out to Rs. 202.98 crore.

The flow of credit for agriculture in Bihar from the institutional sources from 2013-14 to 2015-16 shows that total institutional credit in the agricultural sector in the district recorded an increase by almost 82 percent over the period. The main reason for the improvement in agricultural credit disbursement in Bihar as well as in India since 2016-17 may be attributed to the following developments:-

- Kisan Credit Card package-effective instrument to the Commercial Banks and the RRBs to enter the crop loans segment.
- Million Shallow Tubewells Programme (MSTP) - a convenient platform for the CBs and the RRBs for increasing investment credit.
- Growing agriculture sector since the late 1990s supported financing for Farm Mechanization in Bihar.

Despite this improvement in absolute term, the availability of credit is far short of requirement. Government of Bihar, the agricultural credit need was estimated to be Rs. 11341.22 crore for Bihar in 2016-17. However, the credit target for agriculture set by banks for 2016-17 was only Rs 3732 crore which was much lower than the requirement. This gap between the target and actual disbursement of agricultural credit need to be narrowed down, so that agriculture does not suffer for want of credit, ceteris paribus, and no such unfortunate event like farmers' suicide and other misery may take place. Some 83 percent of Bihar farmers operating around 41 percent of the land own less than ha each. Even at the all India level, the share of Institutional credit during

2012 was only 61 percent. Various surveys show that a majority of marginal farmers have no access to institutional credit and have to depend primarily on non institutional sources.

From an already low level, agriculture's share in total bank credit has fallen over the last 5 years. While its share was at 24 percent in 2010-11, it fell to 20 percent in 2013-14. Though it has registered an increase to 23 percent in 2014-15, it is still lower than the share in 2010-11. The entire rural credit delivery system is not in a good shape in Bihar as well as in India. In terms of access of cultivators to the banking institutions, average population per bank branch in Bihar, as on end of June 2016, was 25,000, as against the national average of 16,000. While the number of commercial bank branches in the State is 2082, only 60.37 percent of these branches operate in rural areas. There are 5 Regional Rural Banks in the State, with 1486 branches, of which around 86 percent are located in the rural areas. The credit-deposit ratio (CDR) of RRBs at 44.77 percent is much higher than those of commercial banks.

Taking the entire banking sector, a total of 4015 branches of 72 banks cater to the 10.40 crores strong population of the State. Even this sparse banking infrastructure is disproportionately oriented towards the urban economy of the State, with only 72 percent of total branches catering to the rural areas which are home to nearly 90 percent of population. Total allocation of credit to agriculture in Bihar has been increasing over the last few years, but has remained way behind the target credit mark.

Commercial banks account for the largest share of the total credit disbursed to agriculture in Bihar as well as in Country, though this share has fallen moderately in recent years, from 70.30 percent in 2012-13 to 68.51 percent in 2015-16. Total outstanding credit as on March 2015 of all scheduled commercial banks to agriculture stood at Rs. 2973.52 crore, out of which direct credit was Rs.2634.49 crore and indirect credit was Rs.339.03 crore. The share of regional rural banks in total agricultural credit has fluctuated around 20 percent, although it registered a sharp fall in 2013-14 to 13 percent. Similarly, the share of cooperative banks in total agricultural credit is found to be about 12 percent, although it was suddenly high at 36 percent in 2013-14.

The agricultural credit need was estimated to be Rs. 11341.22 crore for Bihar in 2016-17. An amount of Rs. 10042 crore for crop loans, Rs. 78.22 crore for the Macromode / ISOPAM plan, Rs. 60 crore

for micro-irrigation, Rs. 18.50 crore for agri-clinics and Rs. 1142 crore for horticulture mission etc. would be needed as loan from the banking sector. However, the credit target for agriculture set by banks for 2016-17 was only Rs 3732 crore which was much lower than the requirement. A target of 6 lakh more KCCs have been fixed by the banks for 2016-17. But even this target is grossly inadequate to measure up to the total credit demand in the current year. In the area of micro-finance, more than 17,000 Self-Help Groups had been financed by banks upto 2015 through their priority lending schemes in 38 districts. The target for 2016-17 is to raise the number to 24,000 SHGs and advance Rs. 48 crore through the scheme.

Agricultural credit is disbursed through a multiagency network consisting of Commercial Banks (CBs), Regional Rural Banks (RRBs) and Cooperatives. There are approximately 100,000 village-level Primary Agricultural Credit Societies (PACS), District Central Cooperative Banks (DCCBs) with 12,858 branches and 30 State Cooperative Banks (SCBs) with 953 branches providing primarily short - and medium-term agricultural credit in India. The long-term cooperative structure consists of 19 State Cooperative Agricultural and Rural Development Banks (SCARDBs), with 2609 operational units as on 31 March 2005 comprising 788 branches and 772 Primary Agricultural and Rural Development Banks (PA&RDBs) with 1049 branches.

Government has increasingly begun to tap institutional finance from banks and other term lending institutions for financing various developmental programmes in Bihar as well as in State in view of the need to supplement plan financing. Banks in the State have also played a pivotal role in this regard. However, credit should be utilised in a prudent manner to maximize returns and spread the benefit over a wider sections of the population. Successful implementation of socio-economic developmental programmes calls for effective co-ordination between financial agencies and government departments. It also helps in improvising efficiency of resource allocation & identifying infrastructural gaps. The State Level Bankers' Committee, constituted by the Reserve Bank of India under the Lead Bank Scheme periodically takes up the review performance and monitors progress under special schemes. At the district level the District Consultative Committee with the Chief Executive Officer of Zilla Panchayat as chairperson and representatives of financial institutions and Heads of Government departments at the

district level as members monitors the implementation of government sponsored schemes & Service Area Credit Plans. At the block level, Block Level Bankers' Committee chaired by Lead District Manager with bank managers and departmental heads of government at block level as members periodically reviews the implementation of government sponsored schemes & Service Area Credit Plans and sorts out problems encountered in the implementation of various programmes. In order to select & prioritise the works for loan assistance from National Bank for Agriculture and Rural Development (NABARD) under Rural Infrastructure Development Fund (RIDF) Scheme, launched in 1995-96, Cabinet Sub-Committee on RIDF has been constituted under the chairmanship of the Minister for Public Works. There is also a High Power Committee chaired by the Additional Chief Secretary and Development Commissioner for reviewing the implementation of RIDF projects.

**Recent Policy Initiatives**-There are many rural infrastructure projects which have been started in Bihar but are lying incomplete for want of resources. They represent a major loss of potential income and employment to rural population." Rural Infrastructure Development Fund (RIDF) was set up in NABARD. Since then, 11 tranches of allocations have been made towards the Fund. Commercial banks make contributions towards the Fund on account of the shortfalls in their priority/agriculture sector lending. The scope of RIDF has been widened to enable utilisation of loan by Panchayati Raj Institutions (PRIs), Self-Help Groups (SHGs), Non-Government Organisations (NGOs), etc., since 1999-2000.

**Conclusion**-In Bihar two innovations, viz., micro-finance and Kisan Credit Card Scheme (KCCS) have emerged as the major policy developments in addressing the infirmities associated with the distributional aspects of credit in the recent years. The KCCS has emerged as the most effective mode of credit delivery to agriculture in terms of the timeliness, hassle-free operations as also adequacy of credit with minimum of transaction costs and documentation. Around 59.09 million KCCs were issued till end-March 2016. The cooperative banks (51.5 percent) had a major share followed by commercial banks (36.9 percent) and RRBs (11.6 percent).

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