ROLE OF FINANCIAL CREDIT ON DEVELOPMENT OF AGRICULTURE IN BIHAR

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ABSTRACT

As a result of its favourable climate, abundant water supplies, and plenty of fertile land, Bihar is well-positioned to spearhead the second green revolution in India's agricultural sector. The government of Bihar has recognised the significance of agriculture, and since 2008, they have taken a deliberate approach to its growth by means of Agriculture Road Maps. As such, it seeks to make food crop production and productivity more efficient and sustainable. The policy has prioritised the spread of certified seeds at affordable prices, the development of storage facilities, the encouragement of bio-farming and farm automation, and the implementation of the innovative System of Rice Intensification (SRI). The function of the formal credit delivery system in the State of Bihar has not been very promising, despite the fact that institutional credit is of vital significance in boosting agricultural output. In this sense, the article proposes a path forward.

INTRODUCTION

The availability of credit is an essential factor in the growth of the agricultural sector. It capitalises farmers' efforts to make new investments and/or embrace new technology. The unique position of Indian agriculture within the macroeconomic framework and its substantial role in poverty eradication further emphasise the significance of agricultural financing. Realizing the significance of agricultural credit in encouraging agricultural growth and development, the focus on the institutional framework for agricultural credit has been expanding from the beginning of the planned development period in India. A wide range of formal institutional organisations, from cooperatives to RRBs to SCBs to NBFIs to SHGs to

philanthropies, are engaged in supplying farmers with the money they need in the short and long term. Efforts have been made to improve the rural credit system's institutional framework. The fundamental purpose of these projects was to enhance farmers' access to institutional loans. The adoption of the Rural Credit Survey Committee Report (1954), the nationalisation of large commercial banks (1969 and 1980), the creation of RRBs (1975), the establishment of NABARD (1982), financial sector reforms (1991 onwards), the Special Agricultural Credit Plan (1994–1995), the introduction of Kisan Credit Cards (KCCs) (1998–1999), and the doubling of agricultural credit ploughshares (1999) are all examples of major events that contributed to the growth of rural credit (2000–2001). However, in India, the lack of agricultural funding is often the topic of debate. Concerns about moneylenders persist as a major issue in the rural lending market. Despite the fact that academic journals in the field of economics provide essential background knowledge in the form of overview articles, references, and related works, most discussions of agricultural finance are influenced more by intuition than by facts.. Given this context, we set out to I investigate the state of agricultural credit flow, particularly the problems associated with the unequal distribution of institutional agricultural loan flow, and (ii) pinpoint the causes of the rise in household reliance on this type of credit.

Determinants of Farmers' Access to Institutional Credit

Credit for farming operations is sensitive to interest rates, bank lending limits, and government regulations. Household demand for agricultural finance is affected by a variety of socioeconomic factors. The Tobit model was used to identify the many determinants of farmers' access to and use of agricultural finance. Therefore, when the dependant variable is censored, the Tobit model is chosen. Based on this Tobit model, Yi* = Xi + I Yi* represents the proportion of total borrowings made by agricultural households that came from institutional sources. Accordingly, the dependent variable may take on a value between zero and one. Explanatory variables in the regression analysis are encoded in the vector Xi. The following factors were included as predictors in the model: The variables in this table are as follows: X1 = age of household head (years); X2 = gender of household head (male = 1, otherwise = 0); X3 = household size (number); X4 = operated land size (hectares); X5 = social

group (ST = 1, otherwise = 0); X6 = social group (SC = 1, otherwise = 0); X7 = social group (OBC = 1, otherwise = 0). ;

Shares and Efficiency of Agricultural Credit Institutional Credit Outlets

Agricultural loan amounts rose once banks were nationalised.

Reserch Objectives

The overarching purpose of this article is to analyse the progress made in agriculture across the state of Bihar and to shine a light on the efforts made by important players, such as the state government and the credit agencies operating inside the state. It is the purpose of this study to specifically analyse the following:-

- How reorganisation has aided in the state's agricultural growth
- The state's potential for agricultural growth
- Governmental actions done by the state
- credit bureaus' function in this context, and suggest moving ahead in a manner that accounts for their unique institutional function

RESEARCH METHODOLOGY

The paper's data comes from a variety of places, including the Reserve Bank of India's and Bihar's official websites, as well as the State Level Bankers Committee (SLBC) of specific states including Bihar, Jharkhand, West Bengal, and Odisha. Data was also gathered from publicly accessible sources. Agency publications such as NABARD's and casual conversations with interested parties. The challenges were better understood by consulting a number of papers published by government bodies and scholars. All of the data and information needed to write this work have been analysed.

State	2010-011		2005-06	
	Number	Area	Number	Area
Uttar Pradesh	23325	17622	22458	17906
Bihar	16191	6388	14657	6251 Maharashtra
13699	19767	1371	20005	
Madhya Pradesh	8872	15836	7908	15994 West Bengal
7123	5510	6992	5526	

Courtesy: Government of India 2010-11, Agriculture Census.

The following table shows that after 1980-81, fieldwork relevant to the reporting of operational holdings (for the Agriculture Census 2010-11) in the State was completed, which contributed to the growth in the total area of operational holdings in Bihar.

Table 2: Production and Productivity of Major Crops in Bihar (2005-14)

Crop	Production ('000 tonnes)			Productivity (Kg/ha)		
	2013-14	2009-10	CAGR (Per cent)	Triennium Average (2011-14)	Triennium Avera (2005-08)	% change between Trienniums
Rice	6649.59	3640.16	24.46	2365	1284	84.2
Wheat	6134.68	4403.80	8.93	2900	1915	51.5 Maize 2904.24
1544.44	16.54	3870	2549	51.8		
Coarse Cereals.	1572.32	2932.03	16.29	1956	3770	92.8
Total Cereals	9616.28	15716.30	16.13	1493	2722	82.3

Courtesy: economic survey report 2015

Average productivity for the three main cereals during the triennium spanning 2011-14 is shown in Table 3: 2365 kg/ha for rice, 2900 kg/ha for wheat, and 3870 kg/ha for maize. This is an increase of more than 50% (more than 80% in the case of rice) when compared to the triennium covering 2005-08. Despite the significant progress, the region's output of essential crops like rice and wheat remained much lower than the national average and the average of eastern states. "Despite the state's rich in soil and water resources," the Special Task Force report reads, "the average yields of rice, wheat, and maize in the state are only around 32, 44, and 40 percent, respectively, of potential yields" (Special Task Force, Government of India,

2008). Low urbanisation and a large percentage of the population living in rural regions contribute to Bihar's reliance on agriculture and its low GDP per capita. More than 80% of the rural population works in agriculture, far higher than the national average, since there are few other economic opportunities in rural regions. Due to its enormous population and low agricultural output, the state's economy is in bad shape, with high rates of poverty, unemployment, and economic stagnation. More than 1100 people live in every square mile of the state, making it exceptionally densely inhabited. km. The Planning Commission estimated that in 2011–12, 33.7% of the state's population was poor. Given that agriculture is the backbone of the state's economy, it plays a crucial role in improving the lives of the rural poor. Since 2005-06, Bihar's economy has showed robust and consistent expansion, with a Gross State Product (GSP) growth rate that has consistently above 10 percent annually. Economic Survey-Bihar, 2014-15) estimates that the state's per capita income in 2013-14 was just $ 33,954, much below the national average of $ 80,388 that same year. Low state per capita income is exacerbated by large disparities in state funding across districts. Patna, Munger, and Begusarai are the three districts with the highest estimated per capita Gross District Domestic Product (GDDP) for 2011-2012: 63,063, 22,051, and 17,587. Compared to Munger, Patna shows a significant discrepancy. Among the state's 38 districts, 12 had a GDDP of less than $10,000 per person (Economic Survey Bihar, 2014-15).

Table 4: Disbursement of Crop Loan by Agencies during 2012-2014(lakh)

Agency	2012-13	2013-14	% changes during 2012 to 14
Commercial banks	733482	850202	15.91
RRBs	680784	829997	21.92
Cooperative banks	32820	30754	06.72
Total	1447086	1710953	

Courtesy:SLBC and NABARD Report, 2012-13 & 2013-14

Although RRBs had a smaller part in the number of bank branches, as noted previously in the study, Table 4 demonstrates that they had a larger share in the distribution of agricultural loans.

CONCLUSION

It's often acknowledged that a sizable proportion of small and marginal farmers struggle to get loans from traditional financial institutions. Dr. Sen's Committee on Agricultural Production in Eastern India (1984) recommended giving farmers "minikits" with just the right amount of seed, fertiliser, and pesticide for their farms. This advice holds true even now. Due to the crucial role that small and marginal farmers play in agricultural growth, the Special Task Force (GoI, 2008) said that "given existing Bihar circumstances, adoption of this scheme both for rice and wheat is recommended." Marginal farmers have not been able to access these resources up until now due to the system and procedures in place for the distribution of institutional loans. People who share homes or rent flats are also disproportionately underrepresented among those who are granted credit. When it comes to lending money to landless labourers, sharecroppers, and oral lessees, the Reserve Bank of India has already issued guidelines urging banks to accept certificates given by local government or panchayati raj organisations proving the production of crops. Affidavits from landless labourers, sharecroppers, and oral lessees stating their occupational status (i.e., details of land tilled and crops grown) are now accepted for loans up to $50,000, despite the fact that the process for obtaining such certifications was revised in 2008 to make it more lenient (RBI 2008).

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