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## Commercial Banks Support Towards Articulture Sector

Dr. UMAPATHI. S

Assistant Professor

Department of Commerce

Government First Grade Women's College, Shivamogga

### Abstract

The present study was undertaken with the objectives to know how priority sector Lending is helpful to the farmers to uplift their standard of living, and in solving national problems like unemployment, poverty, rural indebtedness and farmers' suicide problems etc., The study starts with the 4 hypotheses and all have been proved at the end of the study. The study has successfully conducted to know the importance of priority sector lending in general and Articulture lending in particular. This study concentrated on Shimoga District. Priority sector lending suffers from a few limitations. The valuable suggestions made on the basis of major findings. If implemented in good faith would go long way to strengthening the Articulture sector. Which in turn plays an important role in the economic development of the country. It is definitely possible to abolish the social evils like *Poverty, Rural Indebtedness, Unemployment, Bonded Labourers' And Farmers' Suicide Problems*.

**Key Words:** Priority Sector Lending, Agriculture Lending, Economic Development, Poverty, Rural Indebtedness

### Introduction

Agriculture and Industries are backbone of Indian economy. These two sectors require major portion of finance. In olden days, money lenders like rich farmers and landlords lend to agriculture and small scale industries. They were known as Indigenous bankers. Whose only occupation was money lending. There was a malpractice by money lenders at the time of lending. They charged high rate of interest often 36% that is 3% per month and they did not give receipts for repayments.

Farmers often borrow from their own relatives in cash and kind in order to tide over temporary difficulties. These loans are generally contracted in an informal manner. They carry low or no interest. And they are returned so on after the harvest.

The small farmers and tenants depend upon landlords and others to meet their financial requirements. This source of finance has all the defects associated with money lenders, traders and commission agents. And interest rates are exorbitant. Often the small farmers are cheated and their lands are misappropriated. The Landless labourers are forced to become bonded slaves.

### **The problem of rural indebtedness**

The Indian farmers borrow year after year. They are not in a position to clear off their loans, either because the loans and interests are more or because their agricultural output is not large enough to pay off their debt. Therefore the debt of the farmers goes on increasing. This is what is known as Rural Indebtedness. It is well known saying in the country, “**An Indian farmer is born in debt ; lives in debt ; and dies in debt**”. To overcome this, the Agriculture Sector is included under Priority Sector.

The need of Institutional credit arise because of the weakness or inadequacy of private credit.

To supply the adequate finance to neglected sector like Agriculture, the institutional credit has come into force. As it is not exploitative and the basic motive is always to help the farmers to raise the productivity and maximize their income. The rate of interest is not only relatively low, but also different for different groups of farmers and for different purposes.

Finally Institutional credit is fully integrated with the other needs of an agriculturist. The farmers require not only credit, but also guidance in the planning of their agricultural operations like the use of seeds, fertilizers, pesticides etc. Assistance in raising crops and in general, help for maximizing their income.

In all developed countries credit services and extensional services go hand in hand. This work can be done best by Institutions like Co-Operative Societies and Commercial banks and not by rapacious money lenders and commission agents.

Since Independence, a multi agency approach consisting of Co-Operatives, Commercial banks and Regional Rural Banks –known as **Institutional credit** has been adopted to provide cheaper and adequate credit to farmers. The major policy in the sphere of agricultural credit has been progressive institutionalization of agricultural and rural development programmes with adequate and timely flow of credit to assist weaker sections and less developed regions.

## Statement of the Research Problem

- Before development of Institutional credit, money lenders were charging high rate of interest.
- Rapacious money lenders charge high rate of interest and grab the lands of the farmers.
- All India Rural Credit Survey Committee 1969 recommended the adoption of “**multi agency approach**” to finance the rural sector.
- For the first time, Govt. of India openly accepted that rural credit could not be met by co-operative societies alone and that commercial banks should play an important role in the rural sector.

## Objectives of the Study

1. To know how does Indian banking sector strengthen the agricultural sector by lending.
2. How does India solve its food problems.
3. To know whether banks lending data sufficiently supporting the priority sector lending or not.
4. How does it help towards the development of the country

## Hypotheses

The priority lending is not equitable among various segments under priority sector.

1. By expanding the priority sector lending we would definitely put an end to existing social evils like farmers' suicide in the country.
2. With the help of priority sector lending the bonded labourers' problems can be solved.
3. It is possible to overcome rural indebtedness by priority sector lending. With more priority sector lending agricultural productivity will improve and it helps for the economic development.
4. By increasing priority sector lending status of the farmers can be raised.

## Methodology and Sampling Design.

### Samples were drawn by using the following criteria:

- Representative samples from all the two categories i.e. the customers and authorities of commercial banks.
- Representative samples from different educational backgrounds, age and income levels.
- In order to get the inferences and to prove or nullify the hypothesis set the collected data were analyzed with the help of statistical techniques like percentages, ratios, averages, ranking method and weighted points methods.
- Both primary and secondary used.

## Scope of the Study

When agriculture was brought under the priority sector, it helped to overcome the food crisis. And also enabled proper utilization of bank funds. Otherwise bank funds would have lied in the bank as unproductive. Moreover the elaborative review of literature in the field of priority sector lending by commercial banks has not been so far documented. Hence the present study is an attempt to fill up this research gap.

## Limitations of the Study

- Lack of knowledge about the importance of research among the respondents.
- Lack of communicating ability and concealment nature of respondents.
- Busy schedule of bank officials and need for banking secrecy also affected the study .
- The Time constraints affect the study.

## Major Findings

- In early days farmers were farming with traditional equipments like plough, by using seeds and compost fertilizers available with them due to the lack of support by the commercial banks.
- Drip and Sprinkler irrigation methods are adopted by the farmers to improve the productivity which in turn help in improving their personal income which leads towards the economic development of the country.
- The banks should see that loan sanctioned to the poor and weaker sections of the society to create employment opportunities and enable them to utilize the loan for productive purposes. It in turn helps to solve unemployment problems by increasing activities in agricultural and allied activities sectors
- The Central Government must provide agricultural loans at Zero percent rate of interest and also insist all the state Governments to adopt the same policy

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