



Role Of Microfinance In The Advancement Of Agriculture Sector In Bihar

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Abstract: This paper presents the empirical research and report of the banks and committee's role towards the agriculture sector and finance of the state which shows that agricultural production is declining during 2001-07 and the farmers are unsatisfied from the income from agriculture to meet their basic needs. It is far small and marginal farmers whose income is less than their expenditure. Due to this most of the farmers don't have money to invest in the basic inputs of farming like irrigation, seeds, fertilizers and agricultural chemicals and due to adoption of modern technology, the financial requirement of farmers has increased more. So, there is the only option which can help in investing in agriculture by using the important inputs at the right time through improving the liquidity of the farmers is Institutional agriculture credit. Keeping in view the increasing demand for agricultural loan in Bihar, the NABARD is also focusing on it and increased their agricultural credit in the State from Rs 1745 cr. to Rs. 8427 cr. in last 10 years.

Index Terms - Microfinance, Agriculture credit, Credit sources.

I. INTRODUCTION

Microfinance is a tool for economic development whose main goal is to assist the rural and poor people/ people under bottom line and those who have no other access to financial services and make them able to eradicate their poverty. The Concept Microfinance (Grameen Bank of Bangladesh) was started and shaped by Muhammad Yunus in 1970s. Microcredit is the other name of microfinance.

While participating institutions in the field of microfinance often provide lending (microloans can range from as large as \$100 to as much as \$25,000), many banks offer additional services, such as checking and savings accounts, and micro-insurance. the product; And some also offer financial and business education. The ultimate goal of microfinance is to give poor people an opportunity to become self-sufficient.

The institution which provides micro finance is known as microfinance institution and it works as the instrument of poverty reduction, works to empower the women, over all development of the financial system, self employment etc. The main players in Microfinance are: a) SHG-Bank Linkage Model b) Non-banking finance companies. c) Other players like trust, society, etc. The amount of loan disburse by the MFI's to the marginal farmers is up to 50,000/-.

Agricultural Finance is one of the financial services that provides and lends liquidity services to agricultural borrowers.

Smallholder farmers are also defined as farmers who have small plots of land on which they grow subsistence crops and one or two cash crops, depending almost entirely on family labor.

Smallholding is a piece of land and living quarters adjoining it, capable of smallholder and farm animals. It is usually smaller than a farm but larger than an allotment, usually under 50 acres (20 ha).

Bihar is the third most populous state after UP and Maharashtra is a land of farmers and has a large proportion of population approx 74% (Census of India, 2011) dependent upon agriculture for their livelihood in India. We can say that agriculture is the main source of development.

Survey report of agricultural credit of Bihar

According to the National Sample Survey Organization (NSSO), only 17.2 per cent of rural households in Bihar received institutional credit in 1971, which declined to 14.3 per cent in 2003, with the remaining majority (86%), mainly small and marginal farmers. Have virtually no debt. Access to institutional source of credit in the state.

In recent development, Bihar is the largest producer of vegetables, which is dominated by potato, onion, eggplant, and cauliflower due to microfinance institutions.

Table A shows the contribution of these different sources to the total agricultural credit in India since 1951-52 to 1996.

Table A: Borrowing of Cultivators from Different Sources (Percentages)

Sources	1951-52	1961-62	1971	1981	1995-96
Non –Institutional					
Moneylenders	69.7	49.2	36.1	16.1	7.0
Traders	5.5	8.8	8.4	3.2	5.0
Relatives and friends	14.2	8.8	13.1	8.7	3.0
Landlords and others	92.7	81.3	68.3	36.8	25.0
Sub-total [(i) to (iv)]	92.7	81.3	68.3	36.8	25.0
Institutional					
Government	3.1	15.5	7.1	3.9	5.0
Co-operatives	3.3	2.6	22.0	29.9	40.0
Commercial and Rural Banks	0.9	0.6	2.6	29.4	30.0
Sub-total [(v) to (vii)]	7.3	18.7	31.7	63.2	75.0
Total A + B	100.00	100.00	100.00	100.00	100.00

Source:- National Sample Survey Organization (NSSO)

We can see that in Table A the contribution of cash lenders was highest than among all the various non-institutional sources and extent of 69.7%. The contribution shows that it's declined to 49.2% in 1961-62 to 7% in 1996. Overall contribution of non-institutional supply towards agricultural loan has step by step declined from 92.7% 1951-52 to 25% 1996.

The share of institutional sources to the full agricultural credit that was 7.3% in 1951-52 step by step enlarged to 18.7% in 1961-62 and so to 75% in 1996. Out of those institutional sources, co-operatives contributed four-hundredth and industrial banks contributed half-hour of the full agri credit in 1996

Table B: TA of Gross State Domestic Product (GSDP) at Factor Cost (2004-05 Prices) (2001-10)
(Rs. Crore)

Sectors	TA 2001-04	TA 2004-07	TA 2007
Agriculture and Allied	22707	25126	27537
Industry	8828	12040	18753
Services	42546	45735	67010
Total GSDP	73964	82901	11312

Source: Economic Survey of Bihar, GOB

TA: Triennium average

State	No. Of SHGs (000) with Bank Linkage	Savings of SHGs With Banks (Rs crore)	Bank loans disbursed during the year (Rs crore)	State	No. Of SHGs (000) with Bank Linkage	Savings of SHGs With Banks (Rs Crore)	Bank loans disbursed during the year (Rs crore)
Andhra Pradesh	902	4146	11505	Maharashtra	789	857	1600
Bihar	279	360	611	Odisha	487	486	860
Chhattisgarh	160	160	96	Punjab	30	40	38
Gujarat	221	184	266	Rajasthan	264	187	322
Haryana	43	159	54	Tamil Nadu	852	920	4826
Jharkahnd	99	96	66	Uttar Pradesh	364	382	294
Karnataka	962	1442	6259	West Bengal	831	1535	1954
Kerala	273	629	1407				
Madhya Pradesh	249	248	591	Total	7903	13691	37287

KEY INDICATORS OF BANKS IN BIHAR

BANKING STATISTICS AS ON 31.03.2018 (Rs. in Crore)

Sl. No.	ITEMS	MAR'17	MAR'18	Bench – mark
1	DEPOSITS	280369.95	312828.95	
2	ADVANCES	104944.86	127047.81	
3	ADVANCES INCLUDING ADVANCES GRANTED TO UNITS IN BIHAR BY BRANCHES OPERATING OUTSIDE BIHAR	117442.87	134996.93	
4	ADVANCES INCLUDING RIDF	123191.87	141967.93	
5	CD RATIO	43.94%	45.38%	
6	PRIORITY SECTOR ADVANCES	76760.47	86262.15	
7	SHARE OF PSA IN TOTAL ADV (SL.NO.2)(%)	73.14%	67.90%	40%
8	AGRICULTURAL ADV.	41831.56	45705.73	
9	SHARE OF AGL. ADV IN TOTAL ADV (SL.NO.2) (%)	39.86%	35.98%	18%

Source : State Level Bankers' Committee, Bihar

II. REVIEW OF ACP FOR THE FINANCIAL YEAR 2017-18

(i) Target v/s Achievement:

The performance of Banks under the Annual Credit Plan 2017-18 up to March'2018, is as under:-

(Rs. in Crore)

<i>Banks</i>	<i>Target</i>	<i>Achievement</i>	<i>% Ach.</i>
Comm. Banks	86044	77594	90.18
Co-op. Banks	1036	2570	248.02
TTBs	22920	19770	86.26
Total	110000	99934	90.85

Source ; State Level Bankers' Committee, Bihar

Sector-wise break-up of targets and achievement:

(Rs. in crore)

<i>Sector</i>	<i>Target</i>	<i>Achievement</i>	<i>% Ach.</i>
Agriculture	49000	42161	86.04
SME	17000	18985	111.68
OPS	13000	9781	75.24
TPS	79000	70927	89.78
NPS	31000	29007	93.57
Total	110000	99934	90.85

Source : State Level Bankers' Committee, Bihar

III. FARM CREDIT

A summarised statement of Farm Credit sanctioned and disbursed by Commercial Banks, Co-operative Banks and RRBs, vis-à-vis their respective targets, during FY 2017-18 is given below:

(Rs. In Crore)

<i>Banks</i>	<i>Target</i>	<i>Sanctioned</i>		<i>Disbursement</i>		<i>% Achiev</i>
	<i>Amount</i>	<i>No.</i>	<i>Amount</i>	<i>No.</i>	<i>Amount</i>	
Comm. Banks	25163	2619914	22039	2613609	21669	87.59
Co-op Banks	891	370746	2548	370746	2548	286.10
RRBs	16055	1648013	14897	1646976	14871	92.79
Grand Total	42109	4638673	39484	4631331	39088	93.77

Source : State Level Bankers' Committee, Bihar

AGRICULTURE TERM LOAN OUTSTANDING TO SMALL & MARGINAL FARMERS & OTHERS

<i>Bihar</i>	<i>Small & Marginal Farmers</i>		<i>Other Farmers</i>	
	<i>No.</i>	<i>O/S Amount</i>	<i>No.</i>	<i>O/S Amount</i>
	846331	3587	1409345	9188

Source : State Level Bankers' Committee, Bihar

IV. ROLE OF CREDIT INSTITUTIONS

All the 3 rural finance establishments that is; Co-operative Banks, Regional Rural Bank and industrial banks square measure engaged in crop insurance theme. Industrial banks granted regarding 56% of crop loans however coated solely 16% of farmers underneath crop insurance in province in 2005-06 (Table-1).

Table-1: Share of different lending institutions in granting crop loans and their share in coverage of farmers in Bihar. (2005-06) (%)

<i>Name of Bank</i>	<i>Share in crop loan</i>	<i>Share in crop insurance</i>
Commercial Banks	56	16
Gramin Banks	21	21
Co-operatives	23	63

Source: Agriculture Insurance Company of India Limited, Fraser Road, Patna (Bihar)

V. RURAL AND AGRICULTURAL FINANCE

Over the years it's emerged as a strong tool for monetary inclusion in Republic of India. Monetary inclusion may be a new paradigm of economic process that plays major role in driving away poorness from state like state. Monetary inclusion is that the prime priority of any developing or backward state like state in terms of economic process and advancement of society. It allows to scale back the gap between wealthy and poor folks.

The co-operative system remains a very important supply of agricultural credit in state. In spite of many drawbacks, co-operatives still be a extremely favoured agency for funding agricultural and allied activities. The State Co-operative exploitation Bank was established to cater to the requirements of long agricultural credit however it's been in perennial loss for the last thirteen years and therefore the bank doesn't qualify for any help from NABARD thanks to poor recovery performance. The short co-operative credit structure has state State Cooperative Bank at the apex level.

V. CONCLUSION

Above discussions clearly indicate that there's immense scope for extending insurance support to an oversized variety of loanee and non-loanee farmers for varied crops. The method of agricultural insurance must be accelerated to avoid wasting the weaker sections of society as a result of the bulk of little and marginal farmers likewise as tenant farmers and farm labourers bear the forcefulness of crop failures.

Therefore, the target cluster for advantageous treatment ought to incorporates little and marginal farmers, likewise as tenant farmers and farm jack.

Conclusion to Agricultural Credit:

The higher than analysis has shown that the extent of agricultural credit in Bharat is extremely inadequate and also the personal non-institutional sources still stay vital in provision credit to the farmers. Further, the foremost drawback of institutional credit faced by disposition establishments, notably the co-operatives, is that the inadequate large level of over-dues travel between forty to forty seven percent. This has semiconductor diode to a poor health for institutional credit and so these disposition establishments won't be ready to advance additional loans to satisfy the growing desires of our farmers. In-spice of that, these institutional sources today area unit advancing over sixty percent of the desired short term production 'credit of the Indian farmers. But the foremost portion of those credits is being taken over by the thirty percent of the center and affluent farmers of Bharat. At the tip of the Seventh arrange, co-operatives, industrial Banks and RRBs extended credit facilities to the extent of Rs 14000 large integer as compared with solely Rs twenty four large integer in 1960-61.

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