



IMPACT OF CREDIT PROVIDED BY RRB'S ON POVERTY IN MUZAFFARPUR (BIHAR)

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Abstract: In this paper, attempts have been made to show the origin, objectives, deposit, advance, recovery, cd ratio of U.B.G.B., Muzaffarpur. In this paper, attention has also been given on the role of credit in the rural areas of the state particularly in the rural areas of Muzaffarpur. The research work will clean not only the concept of poor but it will also reveal the impact of credit provided by U.B.G.B., Muzaffarpur on income and employment in the rural areas of Muzaffarpur district.

Keywords - RRBs, Credit, Poverty, Rural Area, Muzaffarpur

I. INTRODUCTION

Poverty is not merely in sufficient income, according to Amartya Sen, but rather the absence of a wide range of capabilities, including security and ability to participate in economic and political system----- (quoted by Tangirala, 2008). Majority of the rural population in Bihar particularly in Muzaffarpur district depends on agriculture for their livelihood. In 2015-16, the agriculture sector contributes 18.3 percent to GDP compared to 25.2 percent during 2011-12. This is due to unfavourable Monsoon. This shows that, over the four year period, the share of agriculture sector has fallen by 7 percentage points (Government of Bihar, Economic, Survey, 2016-17). World Bank observed “slow agricultural growth is a concern for policy makers as some two-thirds of India’s people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension service are among the factors responsible. Farmer’s access to market is hampered by poor roads rudimentary market infrastructure and excessive regulation”. (quoted by Kumari Sabita, 2014). In recent years, agriculture sector in India particularly in Bihar is responsible for farmer’s suicides, high food inflation, low yields, the climate threat, etc. As per the report of IFPRI, soil compaction has caused yield reduction of between 40-90 percent western in African countries, and nutrient depletion also reduces productivity in sub-Saharan Africa and South Asia. Further, twenty African countries are suffering from water scarcity. (Kumar, Dr. Parveen, 2014). Thomas Adams Lumpkin, director general of Berlaug institute for South Asia, pointed out that 40 percent Indians are directly or indirectly engaged in agriculture. However, on the alarming side, agriculture is becoming unpopular owing to the risk and efforts involved in it. (The Times of India, (2013). Hence, there are horizontal and vertical migration of the people from Bihar to other states. Developing countries have made good progress to achieve the objective of Millennium Development Goals: extreme poverty, child and maternal mortality, infectious diseases and gender equity in education. But, significant challenges remain. In 2013, 17000 children under age five died every day, many from preventable causes.

Nearly 300,000 women died during pregnancy and childbirth. And, 162 million young children suffer from chronic under nutrition (Gates and Machel 2015).

While the world has made impressive progress overall reducing child mortality, sadly, progress on new born health has lagged. Each year, nearly 3 million new born die within their first month of life, most of them of preventable causes. (Gates and Machel, 2015)

In 2014, the world Health Assembly endorsed the every Newborn action plan to accelerate progress in new born health. In recent months, countries with some of the highest rates of newborn deaths- India, Nigeria and Ethiopia- have announced ambitious effects to reduce new born mortality. Efforts have been made to bring down the global newborn mortality to 1.2 percent by 2010. (Gates and Machel, 2015).

In fact, mortality rate in Bihar has of late gone down from 60 in 2006 to 48 in 2010, only 1 point below the national average of 47 as per Economic Survey report of 2012-13 but what's worrisome is that the number of cases of intrauterine growth Retardation (IUGR) has gone up in the state. IUGR refers to the poor growth of a baby in the mother's womb during pregnancy. Specifically, it means the developing baby weighs less than 90 percent of other babies at the same gestational age. Factors responsible for intrauterine include lack of enough oxygen and nutrition from placenta during pregnancy because of high altitudes multiple pregnancy and smaller placenta and so on. (Anand, Anisha, 2013).

II. Rural Poor :-

Poverty refers to a social situation in which a section of the rural society is not in a position to fulfill even its basic necessities of life. Kurien said poverty as the socio- economic phenomenon whereby the resources available to a society are used to satisfy the wants of a few while many do not have even their basic needs met (quoted by Sadanandam and Bhaskar, 1989).

In Bihar, majority of the rural population belongs to the disparate groups consisting of marginal farmers, small farmers, rural artisans, agricultural labourers, scheduled castes and scheduled tribes. They are poor groups of the rural population. As per the World Bank's estimates, 34 percent Indian people live on less than US \$ 2 a day (extreme poor) and 80 percent live on less than US \$ 2 a day (moderate poor). NCEUS estimates both percentage of people below poverty line (Rs.12 per day per capita consumption in 2004-05) and percentage of people vulnerable to poverty (per capita consumption expenditure of Rs.20 per day in 2004-05).

As per its estimates, about 77 percent people of the country are poor and vulnerable. This poor and vulnerable group constituted about 88 percent of SC/ ST, 80 percent of OBCs and 85 percent of the Muslim population. Majority of them are socially discriminated educationally deprived and economically destitute. Most of them spend their day and night with hunger due to lack of access of food. United Nation Food and Agriculture organization has estimated that the number of hunger has increased from 77.7 crore in 2015 to 81.5 crore in 2016. In hunger index of 119 countries, Indian ranks 100. This reveals India's situation is serious in South Asia. They are undernourished and malnourished as they can not afford to buy enough nutritious food. The nutritional condition of children in terms of weight for height has deteriorated. Study also reveals that the percentage of malnutrition children is higher in rural areas than in urban areas. (Singh, S.P., 2011) In Bihar 33 percent of the total population of the state living below poverty line (Government of Bihar, Economic Survey, 2016 – 17) as against 29 percent in India (Rangrajan Committee report 2013). In Muzaffarpur district 63 percent of the total population of the district is living below the poverty line (DRDA, Muzaffarpur). Thus, majority of the rural population in Bihar is leading a miserable life particularly in Muzaffarpur district. They have failed to get even two times meal a day. Their socio – economic conditions is far from the satisfactory.

In fact, the poor are poor not because they do not work, but because they do not have enough resources to build themselves, and to earn profit. As far personal qualities, often they have far more honesty, tolerance, creativity and capacity for hard work than those born with more resources. They have a natural urge to improve their lot. (Misra, Indira, 2004)

III. Contribution of credit :-

Credit plays an important role to improve the lot of those living below the poverty line. Money lubricates the economy and is therefore said to keep the wheels of agriculture, industry and commerce turning. To do any financial activity, economic agents must arrange the necessary finance by obtaining command over a general acceptable monetary asset. If economic agents lack sufficient amounts of such asset, they have to resort to borrowing. Bank can increase their asset by making loans to their customers. In other words, money is created as a result of extension of bank credit. (Rangarajan, C, 1990)

Eminent economists like Schumpeter, Kalecki and Keynes have emphasised the critical role played by bank credit in stimulating economic development. Schumpeter said, “created credit enables an entrepreneur to proceed with his innovations in anticipation of saving. The banker, therefore, is not so much primarily a middle man in the commodity purchasing power as a producer of this commodity”. Keynes also pointed out that credit or finance required by ex ante investment is not mainly supplied by ex ante savings. “..... It is to an important extent, the financial facilities which regulate the pace of new investment. But if the banking system chooses to make the finance available and the investment projected by the new issues actually takes place, the appropriate level incomes will be generated out of which there will necessarily remain over an amount of saving exactly sufficient to take care of new investment.” (Rangarajan, C, 1990).

Thus, the vicious circle of poverty can be broken by the bank as the supplier of credit for investment and credit operations. Credit provides energy to the primary sector and try to achieve the objective of five years plan in the state.

To complete the global market, attention has been given to adopt new technology in the state. The objective is to bring about a positive change in the production and productivity of the agricultural sector. In fact, the productivity of the agriculture sector depends on institutional reforms, uses of new technology and supply of inputs. (Veera, Shykerapp 1994). The supply of inputs depend on the capacity of the borrower in borrowing from the market. Credit plays an important role in buying inputs for agricultural development. As a matter of fact, the use of new inputs increased the need of the resource for investment by the farmer. The farmers who were not borrowing in the past also started borrowing and this led to increase in demand for credit . Study also reveals that the poor demands credit not only for different agricultural inputs but also for consumption purposes. Since, the money lenders are virtual monopoly in supplying credit in rural area of the state, the neglected groups are subjected to exploitations. Because, money lenders charge higher interest rate from the poor groups of the society. Here, bank plays an important role to free the poor from the clutches of the money lenders.

IV. Impact :-

The impact of credit on poverty in rural area of the state particularly in rural areas of Muzaffarpur district is immense and multi dimensional. In fact, credit provided by bank particularly Uttar Bihar Gramin Bank has lessened not only the incidence of poverty but also created confidence among the poor of rural population in the state particularly in the Muzaffarpur district. It provides opportunity to the poor groups of the rural areas to earn money and bring about an improvement in their fate.

In the present study, impact of credit on poverty can be studied by paying attention on its effects on employment, income, consumption, repayment habits, etc. Various studies show the impact of credit on poverty in the state particularly in the Muzaffarpur district. Study of Sunil Kumar (2009) reveals that the impact of credit on the level of poverty is not satisfactory.

Study shows that rural poor are engaged in different occupations in the district including cultivators, allied agricultural activities, agricultural labour, self-employed and non-agricultural activities, agricultural labour. It reveals that after taking loan from the bank more beneficiaries of the bank shifted in allied agricultural activities, observations reveal that shift in self – employed non – agricultural activities is low.

Rich section of the rural area have got more benefits. Income and employment of rich groups have increased much than income and employment of the poor. Though income of the weaker section in the rural areas of the district is rising but it is far not satisfactory. Bank is paying more attention in providing credit facilities to the poor than elite sections in the rural areas of the district. But, more benefit goes in the pocket of the rich persons of the rural mass. Because, poor beneficiaries of the bank have either diverted the fund for other non – productive purposes or fail to utilise the fund efficiently. It may be noted that after financial sectors reforms (1991), Bank is providing credit facilities not only to the weaker sections but also to the non – target groups i.e. rich groups of the rural areas. (Kumar, Sunil, 2009).

V. Repayment habits :-

An empirical study conducted by S.L. Tulsyan shows that the most distressing of financing priority and other sector is that of mounting over dues which ultimately restricts the smooth flow of credit. The aggregate level of over dues with 446 sample farmers as on 31 March 1999 stands at Rs.16,33,940. This was about Rs.3664 per beneficiary farmer. It is difficult for a poor family of five person to cross the poverty line.

Repayment performance is as important as the generation of income and employment. Study shows that the recovery performance of the beneficiaries of Muzaffarpur district is not satisfactory. It is clear from the study of Dr. Kumar that 23.8 percent households are prompt in repayment. 70.0 percent households are irregular in repayment and 63 percent households have not paid any installment. This is due to the willful defaulter tendencies of the beneficiaries, slackness of bank to knock the doors of the beneficiaries and insufficient income flow of the activities of the beneficiaries. This works as a big obstacle in the future prospect of Uttar Bihar Gramin Bank, Muzaffarpur (Kumar, Sunil, 2009)

VI. Consumption :-

Credit provided by bank has generated income in the hands of the poor farmers. This has increased the purchasing power of the people in the rural areas of Muzaffarpur. Now, they are spending more on various goods. In short, increased credit has a positive impact on their consumption.

After taking loan from the Bank, the average consumption expenditure of the loanee household has increased to Rs. 21,009. The income of the poor increases, they are spending more on cereals. Their expenditure on nutritious food items like meat, fish, fruits, etc. is not satisfactory on account of low purchasing power in the hands of the poor in the rural areas of Muzaffarpur district. But rich people are spending more on nutritious food items. They are also spending more on education, medical and entertainment. Consumption pattern of the weaker section in the rural area of district does not show any fundamental change. Study also indicates no change in the expenditure pattern of durable goods. This also shows that the saving capacity of the loans household is also not satisfactory. (Kumar, Sunil, 2009)

VII. Schemes :-

Bank has also implemented various schemes and programmes sponsored by the Government including SHG, KCC, SCC, GCC, etc Under these schemes, adequate amounts has been disbursed by the Bank. But the performance of the bank under these schemes and programmes are far from the satisfactory. Credit provided under these schemes show low benefit. It also indicates poverty in the state is still substantial due to ineffective implementation of even directly targeted programmes and schemes. Non – poor have benefitted more than the poor in the state, it can be inferred as well that these schemes implemented so far have been partially responsible for increasing the incidence of poverty in rural Bihar particularly in rural Muzaffarpur.

In fact, bank plays an unique role in providing credit facilities to the weaker sections of the people in the rural areas of Muzaffarpur district. But, the performance of the bank is not satisfactory. Majority of the beneficiaries of the bank do not have knowledge about the procedures of the banks. Beneficiaries of the

bank lack knowledge about the interest and different schemes implemented by the bank. Flood is also a big obstacle for the district. It has a negative impact on productivity of the agriculture sector. It also adversely affects the repayment capacity of the poor household. Recent earthquake in Nepal has also a negative impact on repayment habits and productivity of the poor in Bihar particularly in the rural areas of Muzaffarpur district.

Further, bank lacks adequate trained staff. Staff of the bank are not properly trained. They lack village background. They feel difficulty in sanctioning loan. Bank also takes much time in the disposal of work related to credit. Political interference in the day to day working of the bank disturbs the very objectives of the bank.

VIII. Conclusion :-

The economy of Bihar particularly the economy of Muzaffarpur district is an agriculture based rural oriented economy. About 90 percent of the total population of the district resides in rural areas. Majority of them belongs to the weaker section consisting of marginal farmers, small farmers, agricultural labourers, rural artisans, scheduled castes and scheduled tribes. They are poor. These people are not having the basic needs of life namely, food, clothing, and shelter. In other words, substantial segment of a society is deprived of the minimum level of living and continues at a base subsistence level that society is said to be plagued with mass poverty. And, Muzaffarpur district is in the chain of vicious circle of poverty. Here, bank can break the chain of vicious circle of poverty by providing adequate credit facilities to the vulnerable section of the rural poor in the district. Credit provided by the bank particularly by Uttar Bihar Gramin Bank increases the employment opportunity and level of income in the hands of the poor in the rural areas of Muzaffarpur. Credit has also improved the standard of living and health condition of the weaker section. Credit has also helped the poor to free themselves from a number of diseases. So far the impact of credit on income and employment is concerned, it has generated income in the hands of the poor. It has also created more employment but most of the benefits go in the pocket of rich person of the rural areas. Repayment habits of the poor has improved but willful defaulter is more. This is due to the reason that bank has failed to touch the doors of the poor beneficiaries and failure of the monsoon and natural disaster like flood and earthquake are also responsible. Though, credit increases the consumption patterns of the rural areas in the district but their average consumption expenditure on nutritious food items is not satisfactory in comparison to the elite section in the rural areas of the district. But, poor beneficiaries are facing a number of problems in the district. Poor beneficiaries of the bank have no knowledge about the procedures, different schemes, rate of interest, etc. But these problem can be removed by strict administration and proper direction and management by the bank. Thus, the bank has got partial success in reducing the level of poverty in the district and the level of poverty is in declining trend.

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