



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## “The Role Of State Bank Of India In Enhancing Agricultural And Rural Livelihoods In Uttar Pradesh”

**Shweta Gupta (Research Scholar)**

Department of Applied Economics

University of Lucknow

Lucknow, Uttar Pradesh – 226007

**Prof. Archana Singh (Supervisor)**

Department of Applied Economics

University of Lucknow

Lucknow, Uttar Pradesh – 226007

### ABSTRACT

The rural economy of Uttar Pradesh, heavily dependent on agriculture and informal livelihoods, faces persistent challenges such as limited access to institutional credit, financial exclusion, and low income diversification. This study examines the role of the State Bank of India (SBI) in addressing these challenges through targeted financial interventions. Utilizing secondary data from RBI, NABARD, and SBI reports between 2012 and 2023, the paper analyzes the bank's performance across key areas including Priority Sector Lending (PSL), the Kisan Credit Card (KCC) scheme, financial inclusion programs, and digital outreach. The findings highlight SBI's expanding rural footprint and its positive impact on agricultural productivity, income generation, and women's empowerment through SHG-bank linkage. Despite progress, issues such as high NPAs, digital access gaps, and low financial literacy continue to constrain impact. The paper concludes with actionable recommendations to strengthen SBI's developmental role in rural Uttar Pradesh through technology integration, credit monitoring, and community-level financial education.

**Keywords:** State Bank of India; Rural Development; Agricultural Finance; Uttar Pradesh; Financial Inclusion; Kisan Credit Card; Priority Sector Lending; SHG-Bank Linkage; Digital Banking; Rural Livelihoods.

1. INTRODUCTION

The rural economy of Uttar Pradesh (UP), India’s most populous state, plays a pivotal role in the overall economic structure of the country. With over 77% of its population residing in rural areas (Census of India, 2011), the livelihood of a significant portion of the population is directly or indirectly dependent on agriculture and related sectors. Rural Uttar Pradesh, while rich in human resources and arable land, has long faced challenges in achieving economic inclusion, agricultural productivity, and access to financial services. Despite multiple policy initiatives and public sector investments, issues like low income levels, subsistence farming, dependency on informal credit, and infrastructure gaps persist.

In this context, the State Bank of India (SBI), as India’s largest public sector bank, has played a vital role in addressing these developmental bottlenecks through its rural and agricultural banking initiatives. SBI's extensive rural branch network, targeted agricultural lending, and financial inclusion programs have significantly impacted rural development across UP. The bank's deep penetration into rural markets positions it as a key agent in channelizing institutional credit and facilitating financial services for the underserved.

- Overview of the Rural Economy in Uttar Pradesh

Uttar Pradesh is predominantly agrarian. According to the Uttar Pradesh Economic Survey 2022–23, agriculture contributes nearly 23.7% to the state’s Gross State Domestic Product (GSDP), and over 60% of the workforce is engaged in farming and allied activities. The rural economy encompasses farming, animal husbandry, fisheries, sericulture, and rural cottage industries. Despite its potential, the rural sector in UP is marked by small and fragmented landholdings, low levels of mechanization, and susceptibility to climatic shocks.

Key rural indicators in UP (Source: Directorate of Economics and Statistics, GoUP, 2023):

Indicator	Value (2022–23)
Rural Population	160 million
Agriculture’s Share in GSDP	23.7%
Average Landholding Size	0.76 hectares
Households Dependent on Agriculture	68%
Rural Poverty Ratio	30.4%

The rural economy remains vulnerable due to the lack of robust financial infrastructure. Credit access remains one of the major constraints faced by farmers and rural entrepreneurs. Traditional dependence on moneylenders and informal lending mechanisms often results in debt traps, leading to cyclical poverty and distress.

- **Importance of Agriculture and Allied Sectors**

Agriculture in Uttar Pradesh is not only a source of food security but also a primary livelihood avenue. The state's agro-climatic diversity allows for the cultivation of wheat, rice, sugarcane, pulses, and oilseeds. In recent years, allied activities like dairy, poultry, and fisheries have gained prominence, contributing to income diversification and employment generation.

However, despite being a top producer of several crops, UP lags in terms of agricultural productivity and value addition. Issues like insufficient irrigation, lack of access to modern farming techniques, post-harvest losses, and inadequate marketing infrastructure continue to plague the sector. Additionally, climate-related challenges like erratic rainfall and extreme weather events further expose the vulnerability of rural livelihoods.

To mitigate these risks and improve farm viability, access to timely and affordable credit becomes indispensable. Institutional credit empowers farmers to invest in inputs like seeds, fertilizers, machinery, and storage, thereby increasing productivity. Financial services such as insurance, savings accounts, and credit lines also play a vital role in creating safety nets for rural households.

- **Role of Financial Institutions in Rural Upliftment**

The expansion of institutional finance has long been recognized as a cornerstone for rural transformation. Public sector banks, particularly the State Bank of India, are mandated to meet Priority Sector Lending (PSL) targets, which include agriculture and micro-enterprises. Financial institutions also act as intermediaries in implementing government-led rural development schemes.

The State Bank of India, with over 4,900 rural and semi-urban branches nationwide (SBI Annual Report, 2023), provides a variety of financial products including:

- Kisan Credit Cards (KCCs) for short-term agricultural needs
- Self Help Group (SHG) financing under the National Rural Livelihood Mission (NRLM)
- Crop loans, term loans, and infrastructure loans under NABARD refinance
- Digital services via mobile banking, YONO Krishi, and business correspondents

SBI also partners with several government schemes such as Pradhan Mantri Fasal Bima Yojana (PMFBY), Pradhan Mantri Jan Dhan Yojana (PMJDY), and Atal Pension Yojana (APY), contributing directly to financial inclusion. The bank's Business Correspondent (BC) model and micro-ATMs have expanded its footprint into remote and underbanked areas, overcoming the limitations of brick-and-mortar branches.

The bank disbursed approximately ₹1.65 lakh crore to the agriculture sector in FY 2022–23, with Uttar Pradesh being one of the top recipients of such funding (RBI PSL Report, 2023).

- **Objective of the Study**

This paper aims to conduct a comprehensive analysis of the role played by the State Bank of India in enhancing agricultural productivity and rural livelihoods in Uttar Pradesh. The objectives include:

- To evaluate SBI's credit deployment in agriculture and allied sectors in UP
- To assess the impact of SBI's initiatives such as KCC, SHG-bank linkage, and financial inclusion on rural incomes
- To examine the spatial outreach and performance of SBI's rural branches in UP
- To identify challenges and areas of improvement in SBI's rural banking strategy

## **2. LITERATURE REVIEW**

A comprehensive understanding of the relationship between credit systems, public sector banking, and rural livelihoods is essential for evaluating the role of institutions like the State Bank of India (SBI). The existing literature is rich with theoretical and empirical work examining how rural credit systems impact agricultural productivity, how financial inclusion is facilitated through public sector banks, and how institutional finance contributes to socio-economic development in rural India.

### **2.1 Rural Credit Systems and Agricultural Productivity**

Rural credit is a foundational pillar in agricultural economies. According to Acharya (2006), effective rural credit mechanisms are necessary to smooth consumption, enable input investments, and enhance risk resilience among farmers. He emphasizes that the availability of institutional credit contributes significantly to increasing agricultural productivity and reducing dependency on informal lenders.

The structure of India's rural credit system includes both formal and informal institutions. Formal institutions such as public sector banks (e.g., SBI), cooperative banks, and Regional Rural Banks (RRBs) are tasked with meeting credit demands of rural populations under regulatory frameworks. Sahoo (2018) argues that despite growth in formal credit outreach, rural households continue to rely heavily on non-institutional sources, especially in less developed states like Uttar Pradesh.

Empirical evidence supports the direct correlation between institutional credit and agricultural output. Raghavendra et al. (2020), using time-series data, found that a 1% increase in agricultural credit results in a 0.29% increase in agricultural GDP, highlighting credit's catalytic effect on farm productivity. Similarly, Kumar et al. (2023) show that timely access to credit for inputs like seeds, irrigation, and fertilizers improves yield outcomes and encourages adoption of modern technologies.

Study	Key Finding
Acharya (2006)	Institutional credit supports agriculture-led growth
Raghavendra et al. (2020)	Credit-GDP elasticity $\sim 0.29$
Kumar et al. (2023)	Access to loans increases yield and mechanization

## 2.2 Role of Public Sector Banks in Financial Inclusion

Public sector banks, particularly the SBI, are pivotal in India's financial inclusion strategy. With their wide rural outreach and regulatory mandates under the Priority Sector Lending (PSL) guidelines, these banks offer an array of financial services such as savings, credit, insurance, and pensions. Chavan and Verma (2016) describe the transformation of India's rural banking landscape post-2000s, noting a substantial increase in direct agricultural credit disbursement by public sector banks.

SBI, being the largest public sector bank, has been at the forefront of initiatives such as the Kisan Credit Card (KCC) scheme, SHG-bank linkage program, and the implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY). Gulati and Juneja (2019) point out that SBI's proactive credit deployment strategy has led to significant improvements in credit availability among small and marginal farmers.

However, Yadav and Rao (2024) caution that the effectiveness of such programs depends on complementary factors such as awareness, financial literacy, and last-mile connectivity. They argue for technology-driven inclusion supported by mobile banking and micro-ATMs to overcome infrastructural challenges in remote areas.

Financial inclusion also brings secondary benefits—encouraging savings habits, reducing informal credit dependency, and improving household consumption stability. Narayanan (2016) concludes that financial inclusion is not merely about credit access but about building long-term financial capability among rural populations.

## 2.3 Impact of Institutional Finance on Rural Livelihoods

Beyond agriculture, institutional finance plays a key role in shaping rural livelihoods holistically. The availability of working capital and term loans enables non-farm activities such as livestock rearing, food processing, and cottage industries. According to Sidhu and Gill (2006), rural households that have access to diversified credit channels are more likely to engage in multi-sector income-generating activities, reducing their vulnerability to crop failures or price shocks.

Institutional finance, particularly through SHG-bank linkage programs managed by public banks like SBI, has empowered rural women and led to greater community participation in financial systems. Sriram (2007)

provides evidence from multiple states showing that group-based lending models enhance repayment rates and increase access for previously excluded demographics.

Moreover, formal credit reduces the socio-economic cost of informal borrowing. Das, Senapati, and John (2009) found that institutional borrowers exhibit better long-term financial planning and are more likely to invest in productivity-enhancing assets. The authors also noted a positive association between credit intensity (loans per household) and the Human Development Index (HDI) in rural areas.

### 3. METHODOLOGY

This study adopts a descriptive and analytical research design to examine the role of the State Bank of India (SBI) in enhancing agricultural and rural livelihoods in Uttar Pradesh. The research relies primarily on secondary data sources, including reports from the Reserve Bank of India (RBI), State Bank of India annual reports, National Bank for Agriculture and Rural Development (NABARD), and the Government of Uttar Pradesh's Economic Surveys. A time frame of 2012 to 2023 has been selected to analyze trends, growth patterns, and the impact of SBI's rural banking and credit interventions over a sustained period.

The research focuses on key parameters such as agricultural credit disbursement, Kisan Credit Card (KCC) issuance, SHG-bank linkage programs, financial inclusion initiatives, and branch penetration in rural districts of Uttar Pradesh. Quantitative data on loan volumes, credit-deposit ratios, and outreach indicators are systematically compiled and interpreted to assess SBI's contribution. Furthermore, policy documents and government schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Fasal Bima Yojana (PMFBY), and the National Rural Livelihoods Mission (NRLM) are reviewed to contextualize SBI's participation in rural development initiatives.

### 4. SBI'S INITIATIVES IN UTTAR PRADESH

#### 4.1 Priority Sector Lending (PSL)

Year	Total PSL Disbursement in UP (₹ Crore)	% Share to Total Credit	Agriculture Sector Share (%)
2017–18	46,320	38.7%	17.6%
2019–20	61,842	40.2%	21.3%
2021–22	79,500	42.5%	24.8%
2022–23	87,230	43.1%	25.6%

#### Interpretation:

The data highlights a consistent increase in SBI's PSL disbursement in Uttar Pradesh over the years. Notably, the agricultural sector's share has grown steadily, reflecting SBI's intensified focus on farm credit and rural lending. This aligns with the bank's mandate to support inclusive growth through credit provisioning to priority sectors including agriculture, MSMEs, and rural infrastructure.



## 4.2 Kisan Credit Card (KCC) Scheme

Year	Number of KCC Accounts (in lakh)	Total Credit Disbursed (₹ Crore)	Average Loan per Farmer (₹)
2017–18	22.5	8,720	38,755
2019–20	27.3	11,160	40,880
2021–22	31.0	13,500	43,548
2022–23	34.2	15,850	46,344

### Interpretation:

The KCC scheme, aimed at providing short-term credit for agricultural needs, has seen substantial growth in SBI's UP operations. With rising account numbers and average loan disbursements per farmer, the bank is empowering small and marginal farmers to access formal credit, thereby reducing their dependence on informal moneylenders.

## 4.3 Financial Inclusion

Financial Inclusion Initiative	Total Beneficiaries in UP (2022–23)	SBI's Share (%)	Key Features
PM Jan Dhan Yojana (PMJDY)	9.6 crore	34%	Zero balance accounts, DBT, Rupay card
SHG-Bank Linkage Program	6.2 lakh SHGs	51%	Group lending to women, income support
PM Suraksha Bima Yojana	1.4 crore	39%	Accidental insurance ₹2 lakh
PM Jeevan Jyoti Bima Yojana	65 lakh	41%	Life insurance ₹2 lakh at ₹436 premium

### Interpretation:

SBI has played a leading role in financial inclusion in Uttar Pradesh, especially under the Jan Dhan and SHG programs. The bank's involvement has not only broadened banking access but also improved household security, social protection, and financial literacy in rural areas.

## 4.4 Digital Banking and Technology Outreach

Digital Initiative	Active Users in Rural UP (2022–23)	Growth Rate (3-Year Avg)	Key Functions
YONO Krishi App	18.5 lakh farmers	24.8%	Crop advisory, KCC, insurance
Micro-ATMs	15,800+ locations	19.3%	Cash withdrawal, balance inquiry

Business Correspondents	36,500+ agents	27.1%	Doorstep banking, DBT facilitation
UPI-based Mobile Banking	72 lakh users in rural UP	34.5%	Payments, transfers, savings

### Interpretation:

SBI's focus on digitization has been instrumental in bridging the rural-urban gap in banking access. The deployment of business correspondents and use of platforms like YONO Krishi have empowered farmers and rural entrepreneurs with real-time, paperless, and personalized banking services, driving efficiency and financial autonomy.

## 5. IMPACT ASSESSMENT

The interventions of the State Bank of India (SBI) in rural Uttar Pradesh have yielded significant developmental impacts across multiple dimensions — particularly in agriculture, financial inclusion, livelihood diversification, and rural resilience. SBI's increasing deployment of credit under Priority Sector Lending (PSL) and schemes like the Kisan Credit Card (KCC) have led to observable improvements in agricultural productivity. According to Raghavendra et al. (2020), a robust positive correlation exists between institutional agricultural credit and agricultural gross value added (GVA). This is reflected in Uttar Pradesh where SBI's farm loan disbursements have grown by over 60% between 2017 and 2023, enabling farmers to adopt better inputs, mechanize operations, and invest in irrigation and post-harvest facilities.

The SHG-bank linkage program facilitated by SBI has proven to be a key driver in improving rural livelihoods, particularly among women. Evidence from Sriram (2007) and NABARD's 2022 report indicates that women-led SHGs in Uttar Pradesh have used SBI loans for income-generating activities such as dairy farming, handicrafts, and food processing. This has not only improved household incomes but also enhanced women's participation in decision-making and community leadership.

Moreover, SBI's role in promoting financial inclusion through schemes such as PMJDY, PMJJBY, and PMSBY has brought millions of previously unbanked individuals into the formal financial system. According to the Ministry of Finance (2023), over 9.6 crore Jan Dhan accounts have been opened in Uttar Pradesh, with SBI accounting for nearly one-third of them. This inclusion has enabled Direct Benefit Transfers (DBTs), reduced leakages in welfare schemes, and encouraged saving behaviors among rural households. Chavan and Verma (2016) assert that public banks like SBI play a transformative role in strengthening rural financial architecture and ensuring the financial safety net for low-income populations.

Another significant impact has been the digitization of rural banking services, which has expanded SBI's service delivery to remote areas through YONO Krishi, micro-ATMs, and business correspondents. As per Gulati and Juneja (2019), technology-enabled banking has lowered transaction costs, increased transparency, and empowered rural customers with greater financial autonomy. The RBI's Financial



Inclusion Index (2023) shows a consistent upward trend in digital banking adoption in rural UP, with SBI acting as the main enabler of this shift.

## 6. CHALLENGES FACED BY SBI IN RURAL DEVELOPMENT

Despite significant contributions, the State Bank of India (SBI) faces several challenges in executing its rural development mandate in Uttar Pradesh. One of the primary issues is the high level of non-performing assets (NPAs) in the agricultural sector, often driven by crop failures, price volatility, and loan waivers that distort credit discipline. Additionally, low financial literacy and awareness among rural populations hinder the effective utilization of banking services. Infrastructure bottlenecks — such as poor road connectivity, unreliable internet access, and electricity shortages — also constrain the reach of digital banking and limit the efficiency of business correspondents. Moreover, SBI faces difficulties in monitoring and evaluating small-scale loans due to limited manpower and administrative capacity at rural branches. These factors collectively affect credit delivery, recovery, and the scalability of financial inclusion initiatives.

## 7. Conclusion and Recommendation

The State Bank of India (SBI) has played a transformative role in enhancing agricultural productivity and improving rural livelihoods in Uttar Pradesh. Through targeted credit disbursement under the Priority Sector Lending (PSL) framework, extensive implementation of schemes like the Kisan Credit Card (KCC), and promotion of financial inclusion via digital and grassroots-level interventions, SBI has emerged as a pivotal institution in advancing rural economic development. The bank's outreach through business correspondents, SHG-linkages, and technology-driven platforms such as YONO Krishi has widened access to formal banking, reduced dependency on informal lenders, and empowered rural households with sustainable financial tools.

However, the bank's efforts are constrained by structural challenges such as loan recovery issues, digital infrastructure gaps, and low credit literacy among beneficiaries. Addressing these concerns is essential to maximize the developmental impact of SBI's rural initiatives.

### Recommendations:

1. SBI should enhance post-disbursement monitoring, particularly in agriculture, by leveraging technology (e.g., remote sensing, AI-based risk models) to minimize defaults and reduce NPAs.
2. Launch state-wide financial education programs in collaboration with NABARD and rural NGOs to build capacity among farmers, SHG members, and rural youth.
3. Advocate for greater public investment in rural connectivity, telecom infrastructure, and digital access to support banking operations and customer service delivery.
4. Increase support to self-help groups and rural microenterprises through tailored loan products, capacity-building workshops, and easy credit access.

5. Develop financial products tied to crop insurance, climate forecasting, and green technologies to support sustainable agricultural practices.

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