

**Efforts of Institutional Credit in Muzaffarpur District: A Study**

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**Abstract**

The role of the Reserve bank of India in sphere of agricultural finance is almost as old as the bank itself. The RBI has constituted a committee of directors which recommend for broad based structure of credit for agricultural purposes. Nationalization of commercial Banks had brought a new era in the sphere of agriculture finance.

**Key Words:** Credit, Bank, Farmer, Cooperation, Poverty

The role of the Reserve bank of India in sphere of agricultural finance is almost as old as the bank itself. With a view to enabling the bank to fulfill its role the agricultural credit department has been set up to perform the following functions:

- (a) A maintain an expert staff to study all questions of agricultural credit and to be available for consultation by the Central and State government, State Co-operative Bank and other banking organisations.
- (b) To coordinate the operation of the bank in connection with agriculture credit and its relations with state co-operative Bank and any other banks or organization engaged in the business of agricultural credit.

In order to evolve a suitable agricultural credit policy and chalk out comprehensive programme for the development of co-operative credit the RBI has constituted a committee of directors which recommend for broad based structure of credit for agricultural purposes. As it finds institutional credit short of the right quantity and was not of the right type, and did not serve the right purpose and often failed to go to the right people,

therefore, the RBI started giving loans through its different agencies all types of loan short medium and long- terms.

In order to provide impetus to the development of rural banking through the cooperative credit structure, the RBI has been extending cheaper remittance facilities especially corporation and Agriculture Finance Corporation have to do a little directly with the development plan of the district.

Agriculture credit has an important role in the Muzaffarpur district. In Muzaffarpur district there are 10 branches of Land Development Bank (LDB). 76 Branches of Kshetriya Gramin Bank (RRB), 103 branches of different nationalized banks. 01 branches of people co-operative bank and 01 branches of Banaras state bank. The lead bank of the district, Central Bank of India prepares the Annual credit plan season-wise and sector-wise as per target fixed by the state Government. Directly Agriculture credit is given mostly by Co-operative Banks and Gamin Banks. However, commercial banks also distance medium term and short-term agriculture loan to agriculturists of the district; we may now consider the institutional financial resources available in the district.

The following figures show bank-wise resources availability of agriculture credit for lending programme of the all banks of the district for their financial year 2002-03.

SL.NO	NAME OF THE BANK	NUMBER OF BRANCH	RESOURCE AVILABLE (IN LAKHS OF RS.)
1	Allahabad bank	7	417.00
2	Bank of baroda	7	568.05
3	Bank of India	9	532.00
4	Central bank of India	15	859.15
5	Canara bank	4	445.50
6	Indian bank	2	114.45
7	P.N. Bank	13	1026.00
8	State bank of India	19	1535.50
9	Union Bank of India	4	419.00
10	united bank of India	9	198.45
11	UCO bank	5	166.00
12	Syndicate Bank	5	151.20
13	Vijya bank	1	14.00
14	Punjab & Sindh bank	1	8.00
15	O.B. of Commerce	1	39.00
16	s.b.b.i	1	13.00
17	Dena Bank	1	5.00
18	I.O. bank	1	16.00
19	VaishaliKshtriyagramin Bank	76	2229.25
20	L.D. Bank	6	643.00
21	D.C.C. bank	10	689.00
	Gross Total	197	10088.55

Source: District Credit Plan-2002-03, p.138

The above figure indicates that the total advances through institutional credit to agriculture have been increasing recent years. Judged in isolated, these figures deserve commendation in view of the rapidity with which the banking system as a whole has throw off the old grab. The present day banking wear a new look and the consciousness has downed upon and economic growth, Neglected sectors of

yesterday have justice the priority sectors of today and new avenues, methods and technique of financing agriculture and other sectors are being experimented.

The relative significance of the bank credit varies from block to block.

Though commercial Banks like co-operative have also covered almost all the parts of the district but not uniformly.

The following table shows block wise number of institutional outlet of credit for the farmers:

Table No. 1.3

SL.NO	NAME OF BLOCK	NUMBER OF BRANCHES			
		COMMERCIAL BANK	KAHETRIYA GRAMIN BANK	D.C.C.B	L.D.B
1	Aurai	4	5	1	0
2	Bochaha	3	3	0	0
3	gaighat	3	5	1	0
4	Kanti	6	3	1	0
5	Katra	3	4	0	1
6	Kurhani	3	10	1	0
7	Minapur	4	6	1	0
8	Muraul	2	2	0	1
9	Motipur	4	8	1	1
10	Mushari	46	7	1	1
11	Paroo	5	6	1	1
12	Sahebganj	4	4	1	0
13	Saraiya	5	6	0	0
14	Bandra	1	2	0	0
15	Marwan	3	2	0	0
16	Sakra	6	1	1	1
Total		102	74	10	6

Source: District Credit Plan 2003-03, p.39

The above table shows that Commercial Bank branches have been opened more in the area where township is growing. The backwards areas of the district now have got branches of the Bank. To bring unified close parallel between the quantum of finance and development of backward region bank branches should be concentrated in those blocks which have lesser branches of bank. Thus more and more branches in backward areas should be open to provide necessary facilities to the agricultural sector.

- The superiority of commercial Banks in the novel shield of farm financing operations lies not in the quantum of finance, but in the quality of it. To begin with commercial Banks are self-

fed and self- sustaining institutions whereas co-operatives have been thriving on regular and liberal assistance from the Reserve Bank of India, the state bank of India and other sources. Co-operative has becomes an institution which cannot move on without the support of crutches. As a natural corollary to item the strict sense of financial discipline is lacking in the credit activities of cooperatives and this gives rise uncanny problem of over dues. Not only that the cooperatives have remained tagged to the subsistence problem of agricultural economy thereby imbibing all its limitations. The cooperative have not yet identified themselves as an institution for progressive agriculture.

Millions of farmers have begun to lend credibility to bank loans, which used to be viewed with suspicion and indifference a few years back. This has been due to the operational efficiency of commercial Banks vis-a-vis Co-operatives.

The bank fulfils a number of expectations of a farmer but cooperative lacks in it. The general expectation of a farmer from a source of credit are-

- (a) An understanding permanent and dependable source of credit.
- (b) A credit plan that fits the farm -plan by providing right amount of money when needed and scheduling repayment when products are marketed.
- (c) A credit plan that charged interest on money when it is actually management practices.
- (d) A credit plan that permits farming according to sound management practices.

Obviously, subsidized or philanthropic institutions like co-operative societies or usurious money-lenders are not competent to meet these expectations, whereas it is not a far cry for commercial Banks. The flexibility in banking method and operations ensures smooth adaptation to the changing moods and needs of time as the post nationalization years have amply shown increasing results.

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The State Bank of India is a bank which requires separate attention as regards its credit policy is concerned. No other commercial Bank is comparable to the size of the state bank of India and none had such command over deposited mobilization. The process of nationalization of the state bank of India started in 1955, whereas other banks followed that during 1967-68. Till June 1971, the banking pattern of the bank was carefully planned in order to cover unbanked, semi-urban and rural centres, whereas other banks put accent on opening branches in metropolitan cities and urban areas till the wind of change could blow. Due to its net work of products the state bank of India left far behind other banks in attracting the monetized area of economy. Not only that the distribution of credit to the farmers among various districts has been more even in the case of the state bank of India than other commercial banks.

#### Conclusion:

Thus, nationalization of commercial Banks had brought a new era in the sphere of agriculture finance. The objective of nationalization shows that priority has to be given to certain sector, in which agriculture is on the top, in the matter of loans and advances. Therefore it was expected that there banks would relieve the farmers from their dependence of money-lenders and village sahumars.