

Impact of Nationalized Commercial Banks on Agriculture and Industries in East Champan: An analysis

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Abstract

East Champan district is a land looked district. It is one of the backward districts of Bihar. More than 80% people of the district depend on agriculture for their livelihood. Most of the farmers are not in position to apply the latest technological instrument and modified seeds, fertilizers etc due to lack of capital. Financial institution can play key role.

Key Words: Nationalization, agriculture, commercial, Prime Minister rojgar Yojna (PMYR), NABARD, IDBI

Before the nationalization of the Commercial Banks, industry and Commerce were the main recipient of the Bank credit. In 1951, Commerce and Industry accounted for 36 and 34 percent of the Bank credit respectively. Agriculture figured nowhere in the credit schemes of Commercial Banks. With the progress abstract of economic planning and rising account on Industrialization the scenario changed. In March 1968 large and medium industries accounted for 68.6 percent of the aggregate credit, the commerce having relegated to a secondary position. Agriculture accounted for a mere 2.2 percent of the total Bank credit. Commercial Banks rejection of agriculture's claim for credit was perhaps on account of the categorical position taken by the Gorwala Committee in this regard. The Committee in the survey report and firmly stated "We feel justified in rejecting Commercial Banks generally as an agency suitable for inclusion with the integrated scheme of rural credit".

After the nationalization of Commercial Banks there was a radical

change in the credit policy of public sector Banks and the relatively small private Banks were left with no choice but to follow them. The new policy placed special emphasis on credit to priority sectors, including agriculture and Small Scale Industries. As a result, shares of other sectors in Bank credit declined over the period.

On March 30, 1984; the outstanding gross Bank credit was Rs. 40,464 crores of which Rs. 14,684 crores had gone to large and medium Industries. Thus, Industries were the main beneficiaries of Bank credit though their share in Bank credit declined during the post-nationalization period. Advances to priority sectors accounted for 40.2 percent followed by Industry (medium and large) with 28.1 percent and the remaining 31.7 percent was shared by other sector of the economy including wholesale trade. In 1988-89, the priority sectors accounted Rs. 13000, crores as advance and industries got Rs. 16,600 crores.

Since the beginning of the economic planning Commercial Banks have been paying greater attention to agriculture and industrial finance. Short term loans, on the cash credit system are obtained by the industrial concerns from the Commercial Banks on the security of the stocks. While the commercial banks contribute quite successfully in meeting the short term needs of existing industries, their contribution to the longer term needs of existing industries and to the requirements of potential new industries have been indirect and not substantial. Although Commercial Banks have been mostly providing self-liquidating finance for short term purpose, yet they have now entered the field of medium finance too, particularly since the establishment of the industrial Development Bank of India (I.D.B.I) which provide refinance facilities to them.

After nationalization of the Commercial Bank steps have been taken to improve the production of the agriculture sector by improving the irrigation, seeds and fertilizer facilities. The Commercial Banks started financing for pumpset, boring, and for improving the quality of seed and chemical fertilizer so that scientific agriculture may be adopted and the green revolution may be successful. National bank for Agriculture and Rural Development (NABARD) established for this purpose. The Commercial Banks provided loans for the expansion of small scale industries, retail trade, small business, road and water transport, self-employment, export under the 20-point programme to the late Prime Minister Rajeev Gandhi.

At present the nationalized Banks are providing soft loans for dairy farming,

fisheries, cattaling, self employment, piggery, blacksmith, shoe-making, carpentry, weaving and many other industries to break the vicious circle of poverty in India and improve the standard of living to the people of this country.

In East Champaran district the Commercial Banks are financing only the agriculture and allied activities and small scale cottage Industries. The only three big Industries located at Sugauli, Motihari, Chakia could not get assistance from the Commercial Banks. The big Industries are financed by Industrial Development Bank, State Financial Corporation etc. There are 855⁹ registered Industrial units in the district and all are financed by the Commercial Banks in the district. Before nationalization of the Banks there were no facility of credit to the agriculture and small scale, cottage Industries. But after nationalization the Commercial Banks had to change their previous crediting policy. It has become a powerful instrument to break the vicious circle of poverty in the Indian economy and generate employment for the crores of unemployed youths of the nation.

Nationalized banks have been playing a significant role in the development of agriculture and small scale industries in the district after the middle of seventies. District Annual Action Plan (A.A.P.) of East Champaran 2001-02 reveals the fact that the nationalized banks advanced credit to the agriculture Rs. 2048 lacs in 2001-02 out of the total advancement of Rs. 6608.30 lacs. It is about 31 percent of the total advancement. Small Scale Industries got Rs. 197.30 lacs¹⁰.

The nationalized banks have opened 176 branches in the different

Blocks of East Champaran district. But due to poor infrastructural facilities the Banks are handily capped in lending against agriculture and Industries units in the district.

At present all the nationalized Banks are advancing credit to the agriculture and small-scale, cottage Industries in the light of the new 20 points Economic programme, Prime Minister Rojgar Yojna (P.M.R.Y), Swarn Jayanti Gram Swarajgar Yojna, women empowerment scheme, Kisan credit card, Poultry farming, Fishing etc.

To conclude the nationalized Banks have been making efforts to

develop the Industrial and agricultural structure of the District. But its pace is not satisfactory-so, the agriculture and Industrial growth of the District is far behind satisfaction. Consequently, the economy of East Champaran District is facing a heavy pressure of population on agriculture, growing poverty and increasing unemployment. After all the role of nationalize commercial banks is very important priority sector criterion has to be re-defined. It is also to be majored that the proportional fund with proper monitoring system holds key further the role of middleman and red trapezium is also to be eliminated so that targeted growth is visualized.

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