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A Study on the Extent of Agricultural Financing by the Lead Bank Scheme in Bargarh District of Odisha, India

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ABSTRACT

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Agriculture is the backbone of our country, more than 70% population of our country are dependent on agriculture and it has significant contribution towards our GDP. There are various Innovative, Novel and Planed Schemes and programmes have been designed and implemented, among them Lead Bank Scheme is one the main scheme which plays an important role in the maintain the rural economy of the district. Lead bank is mainly involved in financing towards agriculture sector in the district and also monitors the timely supply and distribution of credit to the farmers mainly for the agriculture operations in the remote rural areas of the district. The study gives clear information about the extent of agriculture financing by the Lead Bank scheme in Bargarh district of Odisha.

Introduction

Agriculture is an important sector of India economy. New technologies of agricultural production confirm the beginning of new era of modern farming and end of traditional one. Obviously, modern farming requires more finance input which cannot be met fully from personal savings. India, multiagency approach has been recognized to provide credit to the farmers for fulfilment of their requirements. Agriculture plays a very important role in the economy of our country as compare to other sectors but still is being highly neglected, the

Indian banking sector plays an important role in development of Agriculture sector by financing to the agriculture sector. Before nationalization of banks only Industrial sector take the advantage of bank and its services and agriculture sector was highly neglected and there is no upliftment in the rural economy of the country.

A committee was setup under the recommendation of D.R Gadgil and he proposed Area Approach. In 1969 R.B.I set up a committee under the leadership of Shri F.K.F. Nariman who give Lead Bank scheme

on the basis of Area Approach and to come into force on 1969, the main aim of the Lead Bank scheme is to reduce Regional Imbalances in the District and setup new branches in rural area and to increase financing in the rural areas especially in the agriculture sector and adequate supply of credit the farmers by the joint coordination between other Banks and Financial Institutions for the development of the Rural Economy.

Materials and Methods

Bargarh district was selected purposively for the study, as for every district there is a Lead bank and for Bargarh districts the Lead bank is State Bank of India (S.B.I).

Out of 15 blocks of Bargarh District, Barpali block was selected purposively because it has more number of populations as compare to other blocks of Bargarh district and it is a big block as compare to other block. A complete list of all villages was obtained from the selected block and then 5% of villages from the block was selected randomly for the present study and 5 selected villages was taken for study.

The time series data of 10 years was collected from the lead bank (S.B.I) the data was collected from Various sources of the annual reports of the bank records, through personal visit method from the State Bank of India, Bargarh which is working as a Lead Bank in Bargarh district.

For studying the growth in advances made and deposit the Regression Analysis of the following simple linear type used i.e.

$$Y = a + bX$$

Y = dependent variable (advances/ deposits)

a = intercept of constant

b = trend of regression coefficient

X = independent variable (time in years)

The collected data was Compiled, Tabulated, and Analysed following the Mean, Percentage and Relative Change method.

Mean

To calculate the mean value

$$\bar{x} = \frac{\sum x_i}{n}$$

Percentage value

$$P = X/n \times 100$$

Results and Discussion

Distribution of lead bank advances to agriculture and other sectors

The analysis of the data related to the other objectives of this study has been made to find the progress of credit advanced by the farm financing agencies in the lead district. The performance of the lead bank scheme in Bargarh district from 2010-2019 showed that much head way in disbursement of credit has been achieved by the banking sector in Bargarh district. The analysis of data in respect to total advances other advances and agricultural advances from 2010-2019 in the district.

As shown in the table 1 that expansion of agricultural credit increased in the succeeding year / period. Data reveals that the proportion of agricultural advances to the total advances increased from 35.87% in 2010 to 46.98% in 2019.

The share of other advances to total advances declined sharply during the period from 49.19% to 39.69% the growth in total advances was 6.48% with the relative change

of 124.18% similarly the growth in agricultural advances was 193.61% in relative terms and 10.49% in terms of growth arte. The relative change in advance to other sectors was 80.88% with growth rate of 4.26 which is highly significant.

The above results revealed that the growth in agricultural advances was higher as compared to growth in other advances; this may be a good sign of financing for agriculture sector after implantation of.

Lead bank scheme. Similarly if we look at the percentage share of agriculture and other advances over the years it shares near 50-50%.

Branch wise agricultural advances by the lead bank

The per branch agricultural as well as other advances have been increased during last one decided by the branches operating under the lead bank scheme but the relative change was higher for agricultural sector as compared to advance to other sectors

The per branch total advances was 44 lakh during 2010 which increase to 90 lakh during 2019, similarly it was 17.89 lakh and 45.92 lakh during 2010 and 2019 for agricultural sector respectively (Table 2).

Table.1 Increase of agricultural advances over the total and other advances provided by the lead bank (Rs in thousands)

YEAR	TOTAL ADVANCES	AGRICULTURAL ADVANCES		OTHER ADVANCES	
	AMOUNT	AMOUNT	%	AMOUNT	%
2010	669644	24024135.87		329403	49.19
2011	792310	272538	34.39	419772	52.98
2012	849303	281398	33.13	467905	55.09
2013	936486	322329	34.41	514157	54.90
2014	924774	359533	38.87	465241	50.30
2015	1091449	392728	35.98	598721	54.85
2016	1179118	514288	43.61	564830	47.90
2017	1381039	593855	43.00	687184	49.75
2018	1186469	692946	58.40	393523	33.16
2019	1501217	705382	46.98	595835	39.69
Percentage change	124.18%	193.61%		80.88%	
Growth percentage	5.48	9.49		3.26	

Table.2 Development of Agricultural Advances per branch under Lead Bank Scheme (Rs.Lakh/branch)

YEAR	TOTAL ADVANCES	AGRICULTURE ADVANCES	OTHER ADVANCES
2010	44.00	17.89	26.11
2019	90.00	45.92	44.08
PERCENTAGE CHANGE (%)	104.54	156.67	68.24

Table.3 Total deposit, total advances to agricultural sector, advances and their ratio (Rs in Thousands)

YEAR	Total deposit		Total advance amount	Total Agriculture Advances		Proportion	
	Amount	%		Amount	%	Total advances to total deosit	Agricuture advances to total deposit
2010	876619	6.85	669644	240241	5.49	76.38	27.40
2011	981713	7.67	792310	272538	6.22	80.70	27.76
2012	1018867	7.96	849303	281398	6.43	83.35	27.61
2013	1076692	8.42	936486	322329	7.36	86.98	29.93
2014	1195640	9.35	924744	359533	8.21	77.34	30.07
2015	1362384	10.65	1091449	392728	8.97	80.11	28.82
2016	1440102	11.26	1179118	514288	11.75	81.87	35.71
2017	1558292	12.18	1381039	593855	13.57	88.62	38.10
2018	1659606	12.98	1186469	692946	15.83	71.49	41.75
2019	1615449	12.63	1501217	705382	16.12	92.92	43.66
TOTAL	1,27,85301	100	98,42,165	41,34,997	100	76.98	32.34

Table.4 Numbers of borrowers according to size of land holding

Sl.No	Year	small		medium		large		total	
		NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
1	2010	201	48	109	26	107	26	417	100
2	2011	213	50	112	27	97	23	422	100
3	2012	240	51	124	27	103	22	467	100
4	2013	233	49	128	27	115	24	476	100
5	2014	210	49	116	27	101	24	427	100
6	2015	228	47	130	27	125	26	483	100
7	2016	244	47	153	30	118	23	515	100
8	2017	238	42	203	35	132	23	573	100
9	2018	240	41	213	36	137	23	590	100
10	2019	256	44	196	34	127	22	578	100

Table.5 Number of defaulters under different groups of holding

Size of land holding in acre	Borrowers		Number of defaulters have the repayment capacity		Number of borrowers dont have repayment capacity		Total number of defaulters	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Small Farmers	2302	46.52	670	58.77	305	52.31	970	56.29
Medium farmers	1484	29.99	250	21.92	95	16.29	351	20.37
Large Farmers	1162	23.48	220	19.29	183	31.38	402	23.3
Total	4948	100	1140	100	583	100	1723	100

Deposits / Advances ratios

In this study an attempt was also made to estimate the proportions of the total deposits to total advances and the total advances to total agricultural advances for different years the combined period of 10 years from 2010 to 2019. Out of total deposits of all banks 76.98 percent were only advanced as credit in the Bargarh district. Thus the amount collected in the form of deposits by these banks in every district were not distributed fully in their form of advance for developing the district economy by these credit institutions (Table 3).

This is not a healthy trend because this developing as a gap between mobilization of deposits and distribution of advance by the commercial banking systems at district level, the flight of resources from the district mobilized and there is more productive areas at the cost of development of that particular district is a disquieting sign of neglecting the development concerned to invest more in the same area from where the resources collected from 2016 onwards the increasing proportion of agricultural advances to the total deposits indicated the higher potentiality of agriculture growth in the Bargarh district by paying more attention by the banks (Table 4).

The growth in membership / borrowers of the lead bank

The members of State bank of India in Bargarh district are classified in to three size group of land holding as small medium, and large.

4 shows the overall borrowers were increased gradually since the year 2010-17 but a slightly decreasing trend was observed in year 2019, an increasing pattern was found in small group farmers whereas, in case of medium and large group there was slightly decreasing trend was observed in the year 2019. Thus maximum borrowers belonged to small followed by medium group farmers.

Defaulters of the lead bank

Table 5 shows the Defaulters according to the different size of land holding. The term repayment capacity is defined the excess of income over the payment and expenditure on the basis of analysis of data of 4948 borrowers the following statements are given

The data shows that 1723 farmers were defaulters in which 23.00 percentage defaulters have the repayment capacity but

they are not depositing credits and 11.78% were those number of defaulters who don't have repayment capacity. The table 5 shows that 56.29 defaulters fall in the capacity of those who have small group of land holding. It further reveals that 20.37 percent defaulters fall in medium and 23.33 percent in large group.

In conclusions the realistic policy should be adopted by the lead bank and it should perform more responsible function for adequate supply of funds. The study reveals that the extent of agriculture financing by the Lead Bank scheme in Agriculture Sector was initially slow but it has been growth tremendously over years. Awareness about borrower ethics should be introduced by the Lead Bank for prop repayment of loans. The overall performance of the Lead Bank scheme in financing the Agriculture sector was appreciable.

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