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LEAD BANKS FINANCING SCHEME TO INDIAN AGRICULTURE SECTOR: AN OVERVIEW

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Abstract: - **The lead bank act as a leader for coordinating the activities and efforts of all credit institutions in the allotted districts in order to increase the flow of credit to agriculture, small-scale industries the flow of credit to agriculture, small-scale industries and other economics activities included in the priority sector in the rural and semi-urban areas, with the district being the basic unit. The basic aim of Lead Bank Scheme is that there should be tight competition among the various nationalised banks and big players should try to open offices in each district for providing financial help to farmers.**

Key Words: Agriculture, Bank, District, Priority Sector, Unemployment.

INTRODUCTION

The Lead Bank Scheme was introduced in 1969 to provide lead roles to individual banks (both in public sector and private sector) for the districts allotted to them. The Lead Bank Scheme was introduced by RBI on the basis of the recommendations of both the Gadgil Study Group and Banker's Committee (Nariman Committee). The studies by the committees found that the rural areas were not able to enjoy the benefits of banking. Commercial banks did not have adequate presence in rural areas and also lacked the required rural orientation. So a bank (public or private) was given some area in which that bank had to lead role in providing financial services to the people, making them aware about the banks and various benefits of banks and also generating trust among people so that they deposit their money without and fear of loss or fraud. So in this way, all the districts in the country were allotted various banks.

The Reserve Bank of India has issued a number of guidelines/instructions on Lead Bank Scheme from time to time. This Master Circular consolidates the relevant guidelines/instructions issued by Reserve Bank of India on Lead Bank Scheme.

LEAD BANK SCHEME: AN OVERVIEW

The Lead Bank Scheme is a scheme which aims at providing adequate banking and credit in rural areas through an 'service area approach', with one bank assigned for one area. On the recommendation of the Gadgil Study Group and Banker's Committee, the Scheme was introduced by RBI. As per the studies by the committees it was found that the rural areas were not able to enjoy the benefits of banking. Also, that the commercial banks did not have adequate presence in rural areas and also lacked the required rural orientation which was hindering the growth of rural areas. To address this issue it was decided that some areas or sector will be given to the banks whether private or public in which that bank had to play a lead role in providing financial services to the people.

- One of the prime objective is to identify those regions which are unbanked and underbanked in districts and also to evaluate their physiographic, agro-climate and Socio-economics conditions.
- Another objective is to help in removing regional imbalances through appropriate credit deployment.
- The main objective is to extend banking facilities to unbanked areas.
- Development of co-operation among financial and non-financial institutions, in overall development of the various districts.
- Eradication of unemployment and under employment. Appreciable rise in the standard of living for the poorest of the poor. Provision of some of the basic needs of the people who belong to poor sections of the society.

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning the prime source of agricultural credit in India was moneylenders.

After independence the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest.

TYPES OF AGRICULTURE CREDIT

Considering the period and purpose of the credit requirement of the farmers of the country, agricultural credit in India can be classified into three major types:

SHORT TERM CREDIT

The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilisers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest.

MEDIUM TERM CREDIT

This type of credit includes credit requirement of farmers for medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping sets, other agricultural implements etc. Medium term credits are normally larger in size than short term credit.

LONG TERM CREDIT

Farmers also require finance for a long period of more than 5 years just for the purpose of buying additional land or for making any permanent improvement on land like sinking of wells, reclamation of land, horticulture etc. Thus, the long term credit requires sufficient time for the repayment of such loan.

SOURCES OF AGRICULTURE CREDIT

In India, agricultural credit are being advanced by different sources. The short term and medium term loan requirements of Indian farmers are mostly met by moneylenders, co-operative credit societies and Government. But the long-term loan requirements of the Indian farmers are also met by moneylenders, land development banks and the Government. Nowadays, the long term and short term credit needs of these institutions are also being met by National Bank for Agricultural and Rural Development (NABARD). Sources of agricultural credit can be broadly classified into institutional and non-institutional sources. Non-Institutional sources include moneylenders, traders and commission agents, relatives and landlords, but institutional sources include co-operatives, commercial banks including the SBI Group, RBI and NABARD.

INSTITUTIONAL SOURCES

The main motive of institutional credit is to assist the farmers in raising their agricultural productivity and maximising their income. Institutional credit is also not exploitative in character. The following are some of the important institutional sources of agricultural credit in India.

CO-OPERATIVE CREDIT SOCIETIES

The cheapest and the best source of rural credit in India is definitely the co-operative finance. In India the active primary agricultural credit societies (PACS) cover nearly 86 per cent of the Indian villages and account for nearly 36 per cent of the total rural population of the country. The share of co-operatives in the total agricultural credit increased.

LAND DEVELOPMENT BANKS

Land development banks are advancing long term co-operative credit to the farmers against the mortgage of their lands for its permanent improvement, purchasing agricultural implements and for repaying old debts.

COMMERCIAL BANKS AND REGIONAL RURAL BANKS

In the initial period, the commercial banks of country have played a marginal role in advancing rural credit. In 1950-51, only 1 per cent of the agricultural credit was advanced by the commercial banks. After the nationalisation of commercial banks in 1969, the commercial banks started to extend financial support both directly and indirectly and also for both short and medium periods, which continue till date.

With the help of "village adoption scheme" and service area approach the commercial banks started to meet the credit and other requirements of the farmers. They also sponsored various regional rural banks for extending credit to small and marginal farmers and rural artisans just to save them from the clutches of village moneylenders. The role of regional rural banks have been instrumental in this regard.

GOVERNMENT

The government initiatives in this concern is very attractive and useful.

AGRICULTURE CREDIT IN BIHAR:

Bihar lies in the river plains of the basin of the river Ganga. It is endowed with fertile alluvial soil ground water resources. This makes the agriculture of Bihar rich and diverse. Rice, wheat, and maize are the major cereal crops. Arhar, urad, moong, gram, pea, lentils, and khesaria are some of the pulses cultivated in Bihar. Bihar is the largest producer of vegetables, which is dominated by potato, onion, eggplant, and cauliflower. In fruit cultivation, it is the largest producer of lychee and the third largest producer of pineapple, as well as a major producer of makhana, mango, banana, and guava. Sugar cane and jute are two other major cash crops of Bihar. Bihar is considered destination for second Green Revolution in the country. Several reports including the National Farmers Commission have emphasized the need for accelerated development of agriculture in eastern India for securing food security of the country. Dr. A.P.J. Abdul Kalam, the then President of India has described Agriculture as Core Competence of Bihar. The State Government is implementing a Road Map of Agriculture development. The

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Agriculture Road Map aims at Food and Nutritional Security of state population, increase in farmer's income, gainful employment to agriculturist and check on migration, equitable agriculture growth with focus on gender and human aspects and sustainable use of natural resources for sustainability of production system.

In current years, the disbursement of agricultural credit has reached a new dimension. Co-operatives, commercial banks and Regional Rural Banks (RRBs) are advancing both short-term, medium term and long term credit to Indian farmers to help them to adopt modern technology and improved agricultural practices for raising crop productivity and production.

CONCLUSION:

Over the years there was a sizeable increase within the access of rural cultivators to institutional credit score and, simultaneously the position of casual agencies, which include moneylenders, as a source of credit has been growing in latest years as a share of both the value of inputs and the cost of output. Among the striking functions of the agricultural credit scene in India are the wide regional disparities within the disbursement of agriculture credit by using scheduled industrial banks. At the equal time the share of agricultural GDP is falling in total GDP. In this context this paper examines the function of direct and oblique agriculture credit within the agriculture manufacturing looking after the regional disparities in agriculture credit disbursement and agriculture production in an econometric framework. The more government efforts should be involved in supporting commercial banks and other financial institutions in terms of funds to be extended to farmers to support their agricultural activities. The State Bank of India should have a special fund to be offered to banks as a means of supplying more funds to banks and hence farmers. In addition, the government should also establish a special fund which can be loaned to farmers at very low interest rates with absence of price and non-price barriers to farmers. This could serve for those who don't have qualifications such as collateral to secure loans. Farmers should also be trained extensively on how to manage loans in order to be able to repay back the loans.

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