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The Progress and Performance of Institutional Agriculture Production Credit Delivery System: An Empirical Study In Madhubani District of Bihar

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Abstract

The present study was conducted in the Madhubani district of Bihar, with the objectives; to examine the structure and the progress and performance of institutional agriculture production credit delivery system.The study was based on the data collected from 100 sample farmers (50 loanee and 50 non-loanee farmers)residing in randomly selected ten villages of five development blocks of the district pertaining to the year. Descriptive analysis was done to know the structure; progress and performance of institutional agriculture production credit delivery system. Out of total bank branches (248) operating in Madhubani district 47.98 per cent (119) branches were of Commercial Banks, 5.65 per cent (14) of Cooperative Credit Banks and 46.37 per cent (115) of Regional Rural Banks. Further out of total bank branches operating in the district about 67.34 per cent (167) branches were operating in rural areas, whereas 31.45 per cent (78) branches and 1.21 (03) per cent branches were found to be operating in semi urban and urban areas, respectively. The banking facility was not

satisfactory in the district in general and rural areas in specific, as the bank density in the district was very poor (18049 persons per branch) as compared to the national average bank density (about 12000 persons per branch). The target set for disbursing agricultural credit increased more than three folds since last five year from Rs.256 crores in 2009-10 to Rs.890 crores in 2013-14, but the performance in achieving these targets remained fluctuating between from about 69 per cent to 98 per cent during above said period. Thus the achievement made by the CBs and RRBs were satisfactory, whereas the achievement made by CCBs was very low in the district during last five years.

Key words: Institutional agriculture production credit, Commercial Banks, Cooperative Credit Banks, Regional Rural Banks, Credit-Deposit ratio, Kissan Credit Card, Annual Credit Plan

Introduction

The State of Bihar with a geographical area of 94.2 thousand square km is divided by river Ganga into two parts, the north Bihar with an area of 53.3 thousand square km, and the south Bihar having an area of 40.9 thousand square km. Based on soil characterization, rainfall, temperature and terrain, three main agro-climatic zones in Bihar have been identified. These are: Zone – I (North West Alluvial Plain), Zone – II (North East Alluvial Plain), and Zone-III (South Bihar Alluvial Plain), each with its own potential and prospects. All these zones have very fertile land with vast area of swampy low land locally called as Chaur, Maund, Tal and Diara, which are submerged during the rainy season. The state is dominated by small and marginal farmers consisting of 88 per cent of total farmers. These farmers are resource poor and are largely in vicious cycle of poverty and hence unable to exploit the market opportunities arising due to changing economic environment **(State Planning Commission, 2013).** Out of the total bank branches in the state, 65% are in rural areas. There is a gross inadequate density of financial service access points in rural Bihar. Bihar has a total of 45,103 villages and 5099 rural bank branches; this translates to one branch in every nine villages based on the total branch estimates of 2014. This indicates that even to provide basic access to financial services this is clearly insufficient **(State Planning Commission, 2013).**The entire rural credit delivery system is not in a good shape in Bihar**. A**

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report of Expert Group of 'Ministry of Finance' on 'Agricultural Indebtness' enlisted seven districts of Bihar among 100 'agriculturally less developed and distress districts of India' on the bases of lower productivity of agriculture, lower credit-deposit ratio and low proportion of urban to rural households. These districts are Banka, Bhagalpur, Darbhanga, Jamui, Lakhisarai, Madhubani and Saran. Specially in Madhubani district, the major constraints in the sector are weak short-term cooperative credit structure, slow pace of issue of KCCs, cumbersome procedure of obtaining land records, tenancy problems, poor state of rural infrastructure, lack of adequate supplies of electricity, high level of over dues and small and fragmented land holdings. Madhubani district is located in the north most part of Bihar which is prone to severe flood, therefore, institutional agencies hesitate to provide agriculture loan in view of insecurity of repayment of loan. Thepattern of flow of credit in Bichpuri development block of Agra district in Uttar Pradesh. They found that the pattern of financing agriculture was similar both at the national and district level (**Singh *et al.*, 1978)**. The analysis showed that although the amount of agricultural credit had expanded sizably since 1973-74 in nominal terms, but its real growth rate had been only the modest**(Gadgil, 1986).** Thepackage initiated by the government of India that aims at reviving the rural short-term cooperative credit structure (RSTCCS) in the country, and looked at the recommendations made by the task force on the revival of the RSTCCS. The RSTCCS was structured as a three-tiered federal structure with state cooperative banks at the state level, district central cooperative banks at the district level, and primary agricultural credit societies (PACSs) at the village level. A few observations presented regarding the difficulties of implementing CRAR (capital to risk-weighted asset ratio) norms, lack of strong relationship between government shareholding and performance of the PACSs, and the lack of recommendation on the three-tier structure of the RSTCCS (**Sarma and Kumar, 2008)**. The district-wise structure of cooperatives in Odisha (India), the performance of the short-term and medium-term credit cooperative structure, the role of cooperatives in the promotion of self-help groups and their involvement in rice procurement**(Senapati, 2012)**.

Methodology

Selection of Study Area

The study was conducted in the Madhubani district of Bihar. The district is enlisted among the 100 "Agriculturally less developed and distress districts of India" on the bases of lower productivity of agriculture, lower credit-deposit ratio and lower proportion of urban to

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rural households by an ‘Expert Group of Ministry of Finance’ on ‘Agricultural Indebtness’. Therefore, agricultural credit appears to be an essential input along with modern technology for higher productivity of agriculture in the district.

Selection of Block

The total number of developmental blocks in Madhubani district is 21, out of which five blocks viz. Phulparas, Khutouna, Jhanjharpur, Pandoul and Andhra Thadhi were selected randomly for the study.

Selection of Village

For the selection of villages, a separate lists of villages falling each selected blocks were prepared in consultation with the respective Block Development Offices. From the lists of the villages, two villages from the each block were selected randomly. Thus, Dharmadiha and Jagatpur from Phulparas, Khutouna and Garhi from Khutouna, Jhanjharpur and Mahrail from Jhanjharpur,Gour and Andhra from Andhra ThadhiandPandoul and Shahpur from Pandoul block were selected for further selection of farmers.

Selection of Sample Farmers

From the selected villages, all the households identified as loanee and non-loanee with the help of village development office, bank officials, Gram Sarpanch and panchayatMukhiya. Those farmers were considered as loanee, who borrowed the institutional agriculture production credit during the year 2013-14, and identified farmers were enlisted in separate lists. Among them five loanee and five non loanee farmers were selected randomly from each village. Thus, on a whole a sample of 100 farmers (50 loanee and 50 non loanee) were drawn to achieve different objectives of the study.

Table 1: Sampling design

District	Blocks	Villages	Farmer Categories	Number of sample farmers
	Phulparas	Dharmadiha	Loanee	5
			Non-Loanee	5
		Jagatpur	Loanee	5
			Non-Loanee	5

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Madhubani	Khutouna	Khutouna	Loanee	5
			Non-Loanee	5
		Garhi	Loanee	5
			Non-Loanee	5
	Jhanjharpur	Jhanjharpur	Loanee	5
			Non-Loanee	5
		Mahrail	Loanee	5
			Non-Loanee	5
	Pandoul	Pandoul	Loanee	5
			Non-Loanee	5
		Shahpur	Loanee	5
			Non-Loanee	5
	Andhra Thadhi	Gour	Loanee	5
			Non-Loanee	5
		Andhra	Loanee	5
			Non-Loanee	5
Total				**100**

Selection of Crops

Paddy, wheat, maize and potato crops were selected for the study, as these crops together accounted for more than 82 per cent of gross cropped area of the sample farmers.

Data and its Sources

The present study was mainly based on the primary data. The required primary data were collected from selected farmers on a pre-tested survey schedule through personal interview method for the agricultural year 2013-14 and 2014-15. Most of the secondary data were obtained from district lead bank (Central Bank of India), District Statistical Office and

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Block Development Offices. The required secondary data were also collected from journal, magazines, reports, articles and website of the RBI and other virtual sources.

A brief description of data collected and used in the study is given below.

a. **General Information:** Data regarding age, family size and composition, education, sources of income and expenditure were collected from each sample farmer.
b. **Land Holding, Irrigation and Crop Grown in a Year:** From each sample farmer data regarding land holdings, area under irrigation and source of irrigation, area under crops in different seasons and the cropping pattern, etc. were obtained.
c. **Assets Position and Livestock Inventory:** Data regarding current assets position of the sample farmer and number and type of livestock reared were also obtained.
d. **Physical Input-Output Data:** Input data included number of human labour (family and hired), bullock labour, manure and fertilizer, seed, irrigation, plant protection chemicals, etc., related to crop production and number of livestock, human labour, amount of feed, fodder and medical expenses, etc. related to livestock production. The output data covered yield of main and by products of different crops and livestock.
e. **Price of Input and Output:** In order to arrive at the value of outputs their prevailing prices in the locality were considered. To calculate cost of production, market prices of all the inputs were taken into consideration.
f. **Information about Credit:** The information about the amount and type of institutional agriculture credit obtained for agriculture purposes from different financial institutions, rate of interest, expenditure incurred in completing documentation and other formalities, opportunity cost of borrower-farmer, and travelling expenses, distance of bank branch from the villages, etc. were also collected from sample farmers.
g. **The constraints faced by the borrower farmers in using agricultural credit:** Opinions of borrower-farmers were obtained regarding the constraints faced by them in using institutional agricultural credit through personal interview with the help of pre listed constraints in survey schedule.

Analytical Framework

Structure of Institutional Agriculture Production Credit Delivery System

Number and proportions of different institutional agencies involved in agricultural credit delivery system were worked out. Total number of bank branches of commercial banks, cooperative banks and regional rural banks were calculated at district level.

Descriptive analysis was done to know the real situation of the credit delivery system at district level. In order to examine the structure of credit delivery system the distribution of urban branches, semi urban branches and rural branches was found out.

The progress and performance of institutional agencies

In order to assess the progress and performance of institutional agriculture production credit delivery system were analyzed by estimating the changes in their indicators viz., agriculture credit flow, number of Kisan credit card issued, sector wise target and achievement under annual credit plan and changes in credit- deposit ratio (CD ratio) in the study area. The changes in the value of the identified indicators were considered as progress and performance of institutional credit agencies. The value and changes in performance indicators were arrived at using simple statistical tools.

Discussion

Structure of Institutional Agriculture Production CreditDelivery System

The entire institutional agriculture production credit delivery system in Madhubani district comprises of commercial banks (CBs), cooperative credit banks (CCBs) and regional rural banks (RRBs). In terms of access of cultivators to the banking institutions, average population per bank branch in Bihar, as on 30th of June 2014,was 22,500, as against the national average of 12,000 **(RBI 2012)**.

Number of Bank Branches in Madhubani district

At the end of September 2014 the number of different bank branches in Madhubani district has been shown in **table 2**. Table reveals that total number of bank branches operating in Madhubani district was 248; out of which119 branches operating were of commercial banks, while only 14 branches were of CCBs and 115 branches were of RRBs, which accounted for 47.98 per cent, 5.65 per cent and 46.37 per cent of total bank branches operating in the district, respectively. Table further indicates that out of total branches of CBs operating in the district, 41.18 per cent (49) branches were operating in rural areas, whereas 57.14 per cent (68) branches were operating in semi-urban areas and only 1.68 per cent (2) branches were operating in urban areas. In case of CCBs, out of total branches (14) operating in the district, 71.43per cent (10) branches were operating in rural areas, whereas 21.43per cent (3)were operating in semi-urban areas; and only 7.14 per cent (1) branches were operating in urban areas. As far as RRBs are concerned, out of total branches of RRBs (115)

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operating in the district, 93.13per cent (108) branches were operating in rural areas, (which was the highest number proportion among all banks operating in the district) whereas 6.87per cent (7)branches were operating in semi-urban areas and no branch was operating in urban areas. Again, out of total bank branches operating in rural areas (167) in the district the 49 branches were of CBs, while 10 branches were of CCBs and 108 branches were of RRBs, which accounted for 29.34 per cent, 5.99 per cent and 64.67 per cent of total bank branches operating in rural areas, respectively. Among bank branches operating in semi urban areas (78) of the district68 (87.18 per cent) branches were of CBs, whereas 3 and 7 branches belonged toCCBs and RRBs, respectively,which accounted for 3.85 per cent and 8.97 per centof total branches operating in semi-urban areas, respectively.It is also clear from the table that only three branches were reported to be operating in urban areas of the district. Out of three urban bank branches in Madhubani district two branches belonged to CBs and other one belonged to CCB.A very small number of bank branches reported to be operating in urban areas of the district was due to the fact that the branches of different banks operating in district town, though catering the population of urban areas, but practically they were located in semi-urban areas, therefore the number of bank branches reported to be operating in the urban areas was small.

Table 2: Number of bank branches in Madhubani district of Bihar.

Bank	Rural	Semi-Urban	Urban	Total
Commercial Banks(CBs)	49(41.18) {29.34}	68(57.14) {87.18}	2(1.68) {66.67}	**119(100.00) {47.98}**
Cooperative Credit Banks (CCBs)	10(71.43) {5.99}	3(21.43) {3.85}	1(7.14) {33.33}	**14(100.00) {5.65}**
Regional Rural Bank(RRBs)	108(93.13) {64.67}	7(6.87) {8.97}	0(0.0) {0}	**115(100.00) {46.37}**
Total	**167(67.34) {100.00}**	**78(31.45) {100.00}**	**3(1.21) {100.00}**	**248(100.00) {100.00}**

Source: State Level Banker's Committee, Bihar, report, 2014

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NOTE: (i)Figures in ( ) indicate the percentage of total branches of respective banks.
(ii) Figures in { } indicate the per centage of total branches in respective locations

Density of Bank Branches in Madhubani district

The bank density is an important indicator of banking facility available in area. The density of bank in Madhubani district during the year 2013-14 has been shown in **table 3**. A glance of the table indicates that the bank density in the district was 18049 people per branch. Table also indicates that out of total 248 branches operating in the district,167 branches were catering the banking needs of 43.11 lacs people residing in rural areas, thus bank density in rural areas of the district was25817persons per branch. The bank density in urban and semi urban areas of the district was estimated to be 2032 person per branch, as 81 branches were providing banking facilities to 1.65 lacs people residing in these areas of the district.

Table 3: Bank Density in Madhubani District in 2014-15

Location	**Population (No.)**	**Bank branches (No.)**	**Bank Density (person/branch)**
Rural	4311466 (96.32)	167 (67.33)	25817
Urban & Semi-Urban	164578 (3.68)	81 (32.67)	2032
Total	4476044 (100.00)	248 (100.00)	18049

Source: Directorate of Economics & statistics Bihar, 2014

The analysis of table shows that the banking facility was not satisfactory in the district as whole and rural areas especially, as the bank density in the district was very poor (18049 persons per branch) as compared to the national average bank density (about 12000 persons per branch).

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Progress and performance of institutional agriculture production credit delivery system were analyzed by the estimating changes in their performance indicators viz. agriculture credit flow, number of Kisan credit card issued, sector-wise targets and achievements under annual credit plan and changes in credit-deposit ratio (CD ratio)in the study area.

Agricultural Credit

Besides physical inputs like, seed, water, manures &fertilizer and agricultural implements the agricultural operations cannot progress without proper credit support. Credit support becomes all the more indispensable, as more and more modern inputs are to be procured from the market at a proper time.

Pattern of Flow of Agricultural Credit in Madhubani district

The flow of institutional agricultural credit comprises three major sources; commercial banks (CBs), central cooperative banks (CCBs) and regional rural banks (RRBs). The bank-wise agriculture credit flow in Madhubani district has been presented in **table 4.**It is evident from the table that in Madhubani district, during 2009-10 total target set for disbursement agriculture credit was Rs.143 crores. Against the set target for the district all banks together could achieve around 79 per cent by advancing of funds Rs.113 crore.During 2010-11 the target set for disbursement of credit in the district was Rs.466 crores, but all banks together could advance Rs.323 crores in the form of agriculture credit, which accounted for only 69.31 per cent of the target set. This achievement of credit flow target was the lowest during a period of five years from 2009–10 to 2013–14. Further, the target set for the same during 2013–14 was Rs.890 crores and all bank jointly advanced Rs.871 crores towards agricultural credit, which accounted for about 98 per cent of target set.The analysis of the table suggest that the target set for disbursement of agricultural credit increased more than three folds from Rs.256 crores in 2009-10 to Rs.890 crores in 2013-14. The achievement in advancing agricultural credit by all banks together fluctuated between 73 per cent and 98 per cent during above said period, except during 2010–11.Duringyear 2013-14the performance of banks was satisfactory, as 97.86 per cent of target set was achieved by all banks together operating in the district by advancing a credit of Rs.871 crores.

Table 4: Pattern of Flow of Agricultural Credit in Madhubani district

(Rs. crore)

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year	CBs		CCBs		RRBs		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
2009-10	159	150 (94.33)	32	11 (34.37)	65	56 (86.15)	256	217 (84.76)
2010-11	268	214 (79.85)	45	13 (28.88)	153	96 (62.74)	466	323 (69.31)
2011-12	360	293 (81.38)	54	12 (22.22)	206	148 (71.84)	620	453 (73.06)
2012-13	431	400 (92.8)	68	10 (14.7)	247	243 (98.38)	746	653 (87.53)
2013-14	550	539 (98)	24	9 (37.5)	316	323 (102.21)	890	871 (97.86)
Average	353.6	319.2 (90.27)	44.6	11 (24.66)	197.4	173.20 (87.74)	595.6	503.40 (84.52)

Note: Figures in the parentheses denote achievement percentage to the target
Source: State Level Bankers' Committee, Bihar Report, 2017

The table also reveals that the achievement made by the CBs in the district during 2009-10 to 2013-14 was higher than the achievement made by RRBs and CCBs in the district during same duration. The achievement in advancing agricultural credit by CBs ranges 80 per cent to 98 per cent during above said period, except 2010–11. During 2010-11 the target set for disbursement of credit in the district by CBs was Rs.268 crores, but CBs could advance Rs.214 crores in the form of agriculture credit, which accounted for only 79.85 per cent of the target set. Further, the target set for the CBs during 2013–14 was Rs.550 crores and CBs advanced Rs.539crores towards agricultural credit, which accounted for 98 per cent of target set.The table also indicates that the performance of CCBs was relatively poor than CBs and RRBs in terms of target set and achievement made during 2009-10 to 2013-14. Throughout the above said period the achievement made by CCBs in the district towards agriculture credit hovered around 22 per cent to 38 per cent. The lowest achievement made by CCBs observed during 2011-12 in the district. During 2011-12 the target set for disbursement of credit in the district by CCBs was Rs.54 crores, but CCBs could advance only Rs.12 crores in the form of agriculture credit, which accounted for 22.22 per cent of the target set. The highest achievement could achieve by CCBs observed during 2013-14, which was 37.5 per cent of total target set. During 2013-14 the total target set for disbursement of agriculture credit in the district by CCBs was Rs.24 crores and achievement made by same was Rs.9

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crores.In case of RRBs the achievement varied from around 62 per cent to 102 per cent during 2009-10 to 2013-14 in the district. It was noted that during 2010-11 the target set for disbursement of agriculture credit in the district by RRBs was Rs.153 crores, but RRBs could advance Rs.96 crores, which accounted for only 62.74 per cent of the target set. The achievement made by RRBs in the district was highest among all institutional credit agencies during 2013-14 was 102.21 per cent by advancing the agriculture credit of Rs.323 crores, which was higher than the target set of Rs.316 crores.

Further, the overall performance of all banks in the district during last Five year. The CBs stood in the district during period of same with average disbursement made by them was Rs.319.2 against the target set was Rs.353.6 in the form of agriculture credit, which accounted for 90.27 per cent. Similarly, the average target set for CCBs and RRBs in the district during same period were Rs.44.6 crores and Rs.197.4 crores, respectively, but achievement made by them were Rs.11 crores and 173.20 crores, respectively in the form of agriculture credit.

The average performance of CBs and RRBs was satisfactory with respect to achievement made against the target set for disbursement of agricultural credit in the district during last five year. But, the CCBs lacking behind and failed to achieve the target given for the disbursement of agricultural credit in the district during the same period.

Kisan Credit Card (KCC)

The KCC scheme was introduced in1998-99 to allow hassle free accessibility of institutional agriculture production credit to the farmers.Kisan Credit Card (KCC) has been an important indicator of progress of banking system, through which credit is provided to the farmers.

Pattern of Kisan Credit Card issued by Banks in Madhubani district

The pattern of Kisan Credit Cards issued by banks in Madhubani district has been shown in **table 5.** A perusal of the table reveals that during 2009-10 the target set forissuing KCC by all banksoperating in the district was 46875 cards; against this target all banks issued 42592 cards, which was around 91per cent target set.

Table 5: Pattern of Kisan Credit Card issued by Banks in Madhubani district

Year	Target	Achievement	Percentage
2009-10	46875	42592	**90.86**

2010-11	62500	42510	**68.01**
2011-12	78125	55983	**71.66**
2012-13	80375	67630	**84.14**
2013-14	109800	78205	**71.22**
Average	75535	57384	**75.97**

Source: State Level Bankers' Committee Report, 2016

The performance of all banks in this regard was noted to be poor during 2010-11, as the target set for issuing KCC for all banks operating in the district was 62500, while they issued only 42510 KCCs (68.01 per cent of the target). Further, during 2013-14 the target set for issuing KCC increased to 109800 and all banks jointly could issue only 78205 KCCs, which accounted for around 71 per cent of target set. The analysis of table indicates that the average of targetset to issue during a period of five years from 2009-10 to 2013-14 was 75535 KCCs and all the banks jointly could issue only 57384 KCCs, thus only 75.97 per cent average target set could be achieved during this period.The table also reflects that the target set and achievement made to issue KCCs in Madhubani district were found to be progressing in absolute term but achievement as a percentage of target set to issue KCCs was found to be continuously decreasing in the district.

Annual Credit Plan (ACP)

The State Level Banker's Committee (SLBC)prepares ACP for each district for every year to advance funds to the priority and non-priority sectors and all institutional credit agencies operating in the district are given targetsforadvancing funds. The advancement of funds to different sectors and achievement of targets in this regard are the twin indicators of performance of banking structure of an area.

Institution-wise target set for advancing credit to priority and non-priority sectors under ACP in Madhubani district

Table 6.shows the institution-wise target set under ACP for Madhubani district during 2014-15. The target set for advancing credit under ACP forMadhubani district was Rs.217401 lacs. Out of the total the targetsset for CBs, CCBsand RRBs were Rs.137523 lacs, Rs.7907lacs and Rs.71971 lacs, respectively, which accounted for around 63 per cent, 4 per cent and 33 per cent of total target set for the district, respectively. The table further shows

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that out of total the target set for advancing funds to total priority sector (TPS) in the district was Rs.155698 lacs; and that for non-priority sector was Rs.61703 lacs, which accounted around 71.62 per cent and 28.38 per cent, respectively. Again, the targetssetfor CBs for advancing fund to the priority sector for the year 2014-15 wasRs.76354 lacs, while the same for non-priority sector was Rs.61169 lacs,which accounted for55.52 per cent and 44.48 per cent, respectively. In case of CCBs the target set for advancing funds to priority sector was Rs.7907 lacs, while there was no target set for non-priority sectors. In case of RRBs the targets set for advancing funds to priority and non-priority sectors were Rs.71437 lacs and Rs.534 lacs, respectively, which accounted for 99.26 per cent and 0.74 per cent of total target set for RRBs, respectively.

Table 6: Institution-wise target set for advancing credit to priority and non-priority sectors under ACP in Madhubani district

(Amount in Lacs)

Institution	Priority Sector	Non Priority Sector	ACP
Commercial Banks (CBs)	**76354** (55.52)	**61169** (44.48)	**137523** (100.00)
Co-operative Credit Banks (CCBs)	**7907** (100)	**0** (0.00)	**7907** (100.00)
Regional Rural Banks (RRBs)	**71437** (99.26)	**534** (0.74)	**71971** (100.00)
Total	**155698** (71.62)	**61703** (28.38)	**217401** (100.00)

Source: State Level Bankers' Committee Report, 2017 report, 2017

Note (i) MSE: Micro and Small Enterprises, OPS: Other Priority Sector, TPS: Total Priority Sector, NPS: Non Priority Sector

(ii) Figures in ( ) indicate the percentage of total target of respective sectors.

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(iii) Figures in { } indicate the per centage of totaltarget in respective locations.

Institution-wise target set for advancing credit to priority sector under ACP in Madhubani district

The institution-wise target set under ACP for advancing credit to priority sector in Madhubani districthas been presented in **table 7**. An analysis of the table indicates that out of the total target set for CBs advance credit to priority sector (Rs.76354 lacs) under ACP in the district,a target of Rs.54266 lacs was set for agriculture sector, while the same set for MSE and OPS was Rs.15601 lacs, Rs.6487 lacs, respectively, which accounted for around 71.07 per cent, 20.43 per cent and 8.50 per cent, respectively.In case of CCBs the target of Rs.7907 was set for priority sector under ACP in the districtwhich assigned only for agriculture sector.Further, out of the target setunder ACP for RRBs (Rs.71437 lacs) to advance credit to priority sector in the district, a target of Rs.58457 lacs was set for agriculture sector, whoever the same set for MSE and OPS wereRs.6072 lacs and Rs.6908 lacs,respectively, which stood at 81.83 per cent, 8.50 per cent and 9.67 per cent, respectively.Thetable also indicates that the height target setunder ACP for advancing credit to priority sector was for CBs followed by RRBs and CCBs. It is also clear from the table that out of total target set for all banks for advancing credit to priority sector 77.48 per cent (Rs.120630 lacs) was meant for agriculture sector.

Table 7: Institution-wise target set for advancing credit to priority sector under ACP in Madhubani district

Amount in Lacs

Institution	Agriculture	Micro and Small Enterprises (MSE)	Other Priority Sectors (OPS)	Total Priority Sector
Commercial Banks (CBs)	54266 (71.07)	15601 (20.43)	6487 (8.50)	**76354** (100.00)
Co-operative Credit Banks (CCBs)	7907 (100.00)	0 (0.00)	0 (0.00)	**7907** (100.00)
Regional Rural Banks (RRBs)	58457 (81.83)	6072 (8.50)	6908 (9.67)	**71437** (100.00)
Total	120630 (77.48)	21673 (13.92)	13395 (8.60)	**155698** (100.00)

Figures in parentheses indicate the percentage of total target of respective bank

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Sector wise target set and achievement of banks in achieving annual credit plan of Madhubani district

The sector-wise targets set under ACP and achievement of banks for advancing credit different sectors in Madhubani district during 2014 – 15have been presented in **table 8**. A perusal of the table indicates thatall banks together achieved 86.26 per cent of target by extending Rs.104060 lacs towards agriculture sector against a target of Rs.120630 lacs.In case of MSE the target set was Rs.21673 lacs and banks together advanced an amount of Rs.24399 lacs, this was estimated to be 112.58 per cent of target set. This achievement was the highest among all sectors. For total priority sector a target of Rs.155698 lacs was set and an amount ofRs.141761 lacs was advanced, hence achieved about 91 per cent of target. In case of non-priority sector, the target set was Rs.61703 lacs, while advances made were Rs.141761 lacs and thus achievement estimated was around 77 per cent. Over all target set under ACP for advancing credit in Madhubani district during 2014-15 was Rs.217401 lacs; against this target all bank together achieved more than 87 per cent by extending Rs.189233 lacs to different sectors.

Table 8: Sector wise target set and achievement of banks in achieving annual credit plan of Madhubani district

(2017 – 18)

Sector	**Target (Rs. Lacs)**	**Achievement**	
		Amount (Rs. Lacs)	**%**
Agriculture	120630	104060	**86.26**
Micro and Small Enterprises	21673	24399	**112.58**
Other Priority Sector	13395	13302	**99.30**
Total Priority Sector	155698	141761	**91.05**
Non Priority Sector	61703	47472	**76.94**
Total	**217401**	**189233**	**87.04**

Source: State Level Bankers' Committee, Bihar Report, 2018

It is clear from the table that percentage achievement in relation to the targets set for all institutions in case of agriculture sector (86.26 per cent) was poor as compared to MSE (112.58 per cent) and OPS (99.30 per cent) in advancing funds.

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Pattern of Credit Deposit Ratio (CD ratio) of banks in Madhubani district

The credit deposit ratio is an important indicator, which is frequently used to assess the performance of a banking institution. It shows how much a bank lends out of the deposits it has mobilized. It indicates how much of a bank's core funds are being used for lending, the main banking activity. A higher ratio indicates more reliance on deposits for lending and vice-versa. The pattern of credit, deposit and CD ratio in Madhubanidistrict have been presented in table 9. Analysis of table indicates that in Madhubani district the CD ratios were fluctuating between 28per cent and 35 per cent from 2009-10 to 2014-15. During 2009-10 the CD ratio in the district was 28.32 per cent, which was one of the lowest during the period offive years from 2009-10 to 2014-15.The magnitude of CD ratio suggests that banking system as a whole lent only 28.32 per cent of total deposited it mobilized from the district. The table also indicates that the credit made in the district increased from Rs.223307 lacs in 2009-10 to Rs. 434497 lacs in 2014-15. Again the total deposit received by the banks in the district was found to be increasing from Rs.63240 lacs in 2009-10 to Rs.148939 lacs. But the CD ratio was found to be increasing from 28.32 per cent during 2009-10 to 34.28 per cent during 2017-18.

Table 9: Pattern of Credit Deposit Ratio (CD ratio) of banks in Madhubani district

Year	Credit (Rs. lacs)	Deposit (Rs. lacs)	CD Ratio (%)
2009-10	223307	63240	28.32
2010-11	258010	75855	29.40
2011-12	312947	95730	30.59
2012-13	364756	108770	29.82
2013-14	415543	124413	29.94
2014-15	434497	148939	34.28
Average	334843.33	102824.50	30.71

Source: State Level Bankers' Committee Report, 2016

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The analysis of table shows that the average CD ratio of the district was 30.71 per cent, which was found to be lower than the state level CD ratio (46.51per cent) as well as national level CD ratio (78 per cent).

Conclusion and Implications

Out of total bank branches (248) operating in Madhubani district 47.98 per cent(119) branches were of CBs, 5.65 per cent (14) of CCBs and 46.37 per cent (115) of RRBs. Out of total bank branches operation in the district about 67.34 per cent (167) branches were operating in rural areas, whereas 31.45 per cent (78) branchesand 1.21 (03) per cent branches were found to be operating in semi urban and urban areas, respectively. Out of total branches of CBs (119) operating in the district, 41.18 per cent (49) branches were operating in rural areas, whereas 57.14 per cent (68) branches were operating in semi-urban areas and only 1.68 per cent (2) branches were operating in urban areas. In case of CCBs, out of total branches (14) operating in the district, 71.43 per cent (10) branches were operating in rural areas, whereas 21.43 per cent (3) were operating in semi-urban areas; and only 7.14 per cent (1) branches were operating in urban areas. As far as RRBs are concerned, out of total branches of RRBs (115) operating in the district, 93.13 per cent (108) branches were operating in rural areas, whereas 6.87 per cent (7) branches were operating in semi-urban areas and no branch was found to be operating in urban areas. The banking facility was not satisfactory in the district in general and rural areas in specific, as the bank density in the district was very poor (18049 persons per branch) as compared to the national average bank density (about 12000 persons per branch).

The Reserve Bank of India, in consultation with NABARD should direct thecommercial banks, the state cooperative bank and the regional rural banks to make all the efforts and take initiatives by expending banking facilities in rural areas for generously advancing more and more agricultural credit. The banks need to increase the ratio of rural branches to number of villages for providing better access of banking service and to strengthen their rural institutional structure for achieving better credit delivery system for agriculture development.

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