

ROLE OF THE ASSAM GRAMIN VIKASH BANK IN FINANCING AGRICULTURE IN THE NALBARI DISTRICT

Nayan Talukdar

Research Scholar, Department of Commerce, Gauhati University, Guwahati, Assam, India

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ABSTRACT

Agriculture is the foundation of civilization and every stable economy. It plays a very significant role in a developing country like India as it provides livelihood to majority of the people living in the country. The Royal Commission on Agriculture quoted that “the Indian peasant is born in debt, lives in debt, dies in debt and bequeaths debt”. Thus need for credit arises to streamline the development of agriculture, resulting in increased crop productivity for the benefit of the farmers and the country.

The Nalbari district is situated in the North West part of the state of Assam. Agriculture is the main occupation of the people living in the district. In the year 2011, the percentage of rural population in the district was 89.28%. The district has 18 branches of the Assam Gramin Vikash Bank (AGVB), which was set up on 12th January 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank and Subansiri Gaonlia Bank as per provision under section 23 (A) Of RRB Act, 1976. The Assam Gramin Vikash Bank has been taking a good effort to help the farmers by catering to their credit needs for the development of agriculture in the district.

Under such circumstances, we felt the necessity to study the impact of agricultural credit by the Assam Gramin Vikash Bank in changing the conditions of the farmers in the Nalbari district. This study is an analytical and a descriptive one. The primary data were collected through a sample survey with the aid of a structured questionnaire and the secondary data were collected from various published materials.

KEYWORDS: *Agriculture, Debt, Credit, Assam Gramin Vikash Bank, Farmers*

1. INTRODUCTION

Agriculture plays a very important role in a developing country like India. Agriculture is the backbone of our national economic system. It is the most backward sector of the economy inhabited by a large number of the poor and the very poor. It provides employment to around 65 percent of the total workforce in the country. Agriculture provides livelihood to a very large portion of the population directly and indirectly.

The Nalbari District is situated in the North West part of Assam. The district consists of 7 Development Blocks namely, 1. Barkhetri, 2. Barbhag, 3. Paschim Nalbari, 4. Madhupur 5. Tihu, 6. Pub Nalbari and 7. Borigog-Banbhag. The Nalbari district has 18 branches of the Assam Gramin Vikash Bank. In 2011, the total population of the district was 7,71,639. The percentage of the rural population in the district was 89.28%. The main occupation of the people living in the district is agriculture.

The Assam Gramin Vikash Bank (AGVB), the only restructured Regional Rural Bank (RRB) of the North Eastern Region, was set up on 12 January 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank & Subansiri Gaonlia Bank as per provision under section 23 (A) of RRB Act, 1976. The Head Office of the Bank is situated at G.S. Road, Bhangagarh, Guwahati-781005, Kamrup (Metro), Assam. The operational area of the Assam Gramin Vikash Bank consists of the entire area of operation of the aforesaid four pre-amalgamated RRBs which cover 25 districts out of 27 districts in the State of Assam, barring only the two hill districts, viz. the Karbi Anglong District and the Dima Hasao District. The Bank has been included in the second schedule of RBI Act 1934 vide Notification No. RPCD.CO.RRB No. 7430/03.05 100/2008-09 dated 27.01.2009. As on 31-03-2016, the Assam Gramin Vikash Bank has 410 branches covering 25 districts out of 27 districts of the whole of the state of Assam. The Bank has 60 lakh⁺ satisfied customers and total business of Rs. 11330 crore⁺ as on the same date.

Credit plays a very important role in the agricultural development of developing countries like India. Credit is needed for both traditional agriculture and new farm technology. Since the farmers are unable to meet their credit requirements from their own sources there is a need for providing timely and adequate institutional credit for the development of agriculture thereby improving the economic conditions of the farmer. As they do not have sufficient funds of their own small and marginal farmers face difficulties to make an investment on modern inputs like high yielding varieties of seeds, chemical fertilizers, improved machinery, and irrigation. The Gramin Bank has to extend credit to cater to their needs. This study is an attempt in this direction with special reference to The Assam Gramin Vikash Bank in Nalbari District of Assam.

2. STATEMENT OF THE PROBLEM

The Assam Gramin Vikash Bank has been playing a key role in bringing about agricultural transformation in the Nalbari district. However, it has been observed that the contribution made by the Assam Gramin Vikash Bank for the improvement of the condition of the farmers of the Nalbari district is not very significant. This study is an attempt to find out the involvement of the Assam Gramin Vikash Bank for the agricultural development in the Nalbari district.

3. SIGNIFICANCE OF THE STUDY

The significance of the study lies in the fact that it enquires about the role played by the Assam Gramin Vikash Bank towards the development of the agricultural sector in the Nalbari district. This study is an attempt to find out the contribution of the Assam Gramin Vikash Bank in the development of agriculture in the Nalbari district.

4. OBJECTIVES OF THE STUDY

The objectives of the research work are to study the following aspects.

- To analyze the participation of the Assam Gramin Vikash Bank in the development of the agriculture sector in the Nalbari district.
- To study about the changes in the economic status of the farmers after the use of the loan sanctioned by Assam Gramin Vikash Bank.

5. SCOPE OF THE STUDY AND LIMITATIONS

As the objectives of the study indicate, this study covers the financing activities of the Assam Gramin Vikash Bank with all its 18 branches spreading over the whole of the District of Nalbari in connection with the development of agriculture. It includes the nature, extent, position etc. of agricultural loans and advances towards the farmers and the problems of recovery of agricultural loans.

The Limitations of the Study Are

- The present study is confined only to the Nalbari District.
- The present study is based on the sample survey and as such the limitations of sample, survey would be present in the study.
- The study covers all 7 Development Blocks and only 50 percent of the branches of the Assam Gramin Vikash Bank in Nalbari District. The 50 percent representation of the branches of the Assam Gramin Vikash Bank in the district may not be adequate to bring out a true picture of the role played by the Assam Gramin Vikash Bank for the development of agriculture sector in the district.
- The sample beneficiaries do not maintain accounts of loan taken and as such the data have limited authenticity.
- Some farmers are reluctant in providing data relating to their agricultural income, etc.

7. PERIODICITY OF THE STUDY

The periodicity of the proposed study is from January 2006 to March 2016 i.e. for a period of ten years. The year 2006, being the year of amalgamation of four regional rural banks in Assam for restructuring and reconstructing them as the Assam Gramin Vikash Bank.

8. REVIEW OF THE LITERATURE

In this context, it is necessary to mention the contribution made by a few people with reference to the working of the RRBs. Therefore a review of the relevant studies related to the topic has been carried out.

- **Jain and Sarawgi** (1981) study are to assess the “Impact of farm loans on farm production, income and employment of selected tribal farmers in the Dindori block of the Mandla district of Madhya Pradesh” found that there was 43.04 percent increase in the total farm production with loan facilities. The total income of the borrowers after taking the loan accounted for a 28 percent increase in the total income of the borrowers. They concluded that the farm credit had a positive impact in rising the farm production and income in the area of their study.
- **Kalkundrikars** (1990) in his study on “Performance and growth of Regional Rural Banks in Karnataka” found that these banks had benefited the beneficiaries in raising their income, productivity, employment and use of modern practices and rehabilitation of rural artisans.
- **Pramod Kumar** (1993) studied the “Progress and performance of the RRBs in India based on selected performance indicators such as the number of RRBs, number of branches, districts covered, deposits and different

categories of advances". He found that the RRBs should mobilize deposits in order to increase the amount. Further, he mentioned that with an increase in coverage of states, the quantum of the loan per account for allied activities and short-term loans would decrease. He found that states like Orissa, Kerala, West Bengal, Tamil Nadu, Tripura, Bihar, Karnataka, and Assam had shown bad performance and the other states were performing well. He suggested that bad performing states should step up their advances of agricultural investment and also see that adequate short-term loans are advanced as a much needed back up for the farmers.

- **Parkash** (1996) conducted a study with the objective of analyzing the role of Regional Rural banks in economic development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursement of loans to the rural borrowers as compared to the commercial banks. Support from state Governments, local participation, proper supervision of loans and opening urban branches were some steps, which were suggested to be taken to make RRBs further efficient.
- **Ibrahim** (2010) analyzed whether the amalgamation of RRBs in India undertaken in 2005-06 has helped improve their performance. The study was confined only to the specific areas like a number of branches, district coverage, deposit mobilized, credits and investments made by the Indian RRBs for the period from 2001-02 to 2008-09. Various statistical tools like t-test and ANOVA had been used in the study. The Study suggested that even though the number of RRBs decreased, the branch network had increased and the performance of RRBs in India improved in the post-amalgamation Period.
- **Ishwar** (2011) made an attempt to study the performance of the RRBs from 1980-81 to 2008-09. In order to know the implications of the transformation of RRBs in 2004, the study focused on financial results before and after amalgamation. After amalgamation, RRBs transformation had resulted in a 200 percent increase in net profits, and a 100 percent increase in business. There was a gradual reduction in the number of loss-making and the addition of 1000 outlets. All this had been because of consolidation among RRBs.

9. RESEARCH METHODOLOGY

- **Nature of Research:** The method adopted for the study is both descriptive and analytical in nature.
- **Manner of Selecting the Sample Beneficiaries:** Since it is not possible to administer the complete enumeration due to time, money and effort constraints, sample survey method has been employed. For the purpose of conducting the sample survey the following process has been undertaken:

Step 1: Selection of the District

There are 27 districts in Assam. As it is not possible to carry out the study in the entire state, the Nalbari district has been deliberately selected.

Step 2: Selection of Blocks

The Nalbari district has 7 Development Blocks (DBs). As the number of DBs is not large, all the 7 DBs were considered for the study so that the information acquired becomes totally representative.

Step 3: Selection of Bank Branches

In the Nalbari district, there are 18 branches of the AGVB covering all the 7 Development Blocks. From amongst the total 18 number of branches of the AGVB 9 (50%) branches were taken into consideration for the study. The branches were selected randomly by taking at least 1 branch from each Development Block.

Step 4: Selection of Beneficiaries

This study covers 7 Development Blocks (i.e. 1. Barkhetri, 2. Barbhag, 3. Paschim Nalbari, 4. Madhupur, 5. Tihu, 6. Pub Nalbari and 7. Borigog-Banbhag) of Nalbari District and from each Development Block at least one Branch of Assam Gramin Vikash Bank's service area was taken for randomly. From each of the selected branches, a good number of beneficiaries were taken into account proportionately on the basis of the total number of beneficiaries. The total number of beneficiaries in 9 branches was found to be 7293 and calculated number of sample was 379 **which is rounded off to 380 for the convenience of calculation**. At 95% Confidence Level, sample size (n) is determined as follows according to Yamane's (1967) formula for calculation of sample size from a population:

$$n = \frac{N}{1 + N(e^2)}$$

(Where, n=Sample size, N=Population size, e=Level of precision)

Number of Sample Beneficiaries

N	e	e ²	N(e ²)	1+N(e ²)	n= N/1+N(e ²)
7293	0.05	0.0025	18.2325	19.2325	379

Table 1: Determination of Sample Size

Sl. No.	Name of the Branch	No. of Beneficiaries/Farmers	No. of sample Beneficiaries/Farmers
1	Rampur Barkhetri	786	$786/7293 \times 379 = 41$
2	Karia	911	$911/7293 \times 379 = 47$
3	Jagra	447	$447/7293 \times 379 = 23$
4	Chamata	643	$643/7293 \times 379 = 33$
5	Koithalkuchi	599	$599/7293 \times 379 = 31$
6	Tihu	1059	$1059/7293 \times 379 = 55$
7	Nalbari	705	$705/7293 \times 379 = 37$
8	Gopal Bazar	748	$748/7293 \times 379 = 39$
9	Ghograpar	1395	$1395/7293 \times 379 = 73$
	Total	7293	379

Method of Collection of Primary Data

For the collection of primary data, the sample beneficiaries are being approached. A specially designed questionnaire is being used for collecting the micro level primary data. For macro level primary data, the officials of the sampled branches of the Assam Gramin Vikash Bank were approached and consulted.

Collection of Secondary Data

The secondary data have been collected from different printed materials like Statistical Handbook of Assam, Economic Survey of Assam, Potential Link Credit Plan of Nalbari district, Annual Reports of the Assam Gramin Vikash

Bank, Annual Credit Plan prepared by the Lead Bank (UCo Bank) of the Nalbari district, Reference books, Published articles, various government and non-government publications, various official and reliable websites, etc.

Analysis and interpretation of Data

Data so collected are tabulated, analyzed and interpreted to reach the conclusion using simple tools and measures of Descriptive Statistics.

10. RESULTS AND ANALYSIS

The Assam Gramin Vikash Bank has been contributing a lot to the development of agriculture in the Nalbari district. The Bank has been providing financial assistance to a large number of farmers in the district. The Table-1.A clearly depicts the number of farmers to whom the Bank has been given loan for the agricultural development.

Table 1 A: Loan Disbursed by AGVB During 2006 to 2016

Sl. No.	Name of the Branch	Agriculture Loan(No. of Beneficiaries)	Non-Agriculture Loan(No. of Beneficiaries)	Total (No. of Beneficiaries)
1	Rampur Barkhetri	786	1958	2744
2	Karia	911	777	1688
3	Jagra	447	1022	1469
4	Chamata	643	1113	1756
5	Kaithalkuchi	599	990	1589
6	Tihu	1059	704	1763
7	Nalbari	705	1700	2405
8	Gopalbazar	748	686	1434
9	Ghagrapar	1395	968	2363
	Total	7293	9918	17211

Source: Data collected from various branch offices of AGVB.

Table1.A reveals that during 2006 to 2016 the 9 sample branches of the AGVB disbursed loan to 17211 beneficiaries out of which 7293 (42.37%) were agricultural loanees and 9918 (57.63%) were Non-Agricultural loanees. During the same period, the highest number of agricultural loans was given by the Ghograpar branch followed by the Tihu branch of the Bank.

The Bank has Been Providing Sufficient: Amount of financial assistance to a large number of farmers in the district. The Table 1.B clearly depicts the amount of loan received by the sample farmers for the development of agriculture.

Table 1 B: Loan Received by the Sample Farmers for Different Agricultural Activities (During 2006 to 2016)

Category	Valid N	Mean	Sum
Tractor	76	5,15,959	3,92,12,888
Power Tiller	06	95497	5,72,980
KCC	298	45138	1,34,,51270
Total	380	140098	5,32,37,138

Source: Primary data collected through questionnaire

The Table 1.B reveals that during 2006 to 2016 the 9 sample branches of the AGVB disbursed loan amounting to Rs.5,32,37,138 to 380 sample farmers. Out of which, Rs. 3,92,12,888 were for purchasing of Tractor. During the same period, the average loan disbursement to a single sample farmer amounted to Rs. 1,40,098.

Increase in the Income of the Farmers is natural after the investment of the loan. Due to the investment of the loan in agricultural activities changes in the agriculture took place which again resulted in more production whereby the economic conditions of the farmers improved. The Table -2 clearly depicts the changes in the economic conditions of the sample farmers.

**Table 2: Changes in the Economic Condition of the Farmers
(Purpose-Wise) After Taking the Loan from AGVB**

Percentage of changes in the Economic Condition of the Farmers with reference to income	Frequency	Percent	Cumulative Percent
No improvement	69	18.2	18.2
Less than 20%	33	8.7	26.9
20% to 40%	28	7.4	34.3
40% to 60%	78	20.5	54.8
60% to 80%	158	41.6	96.4
80% to 100%	14	3.7	100.0
Total	380	100.0	

Source: Primary data collected through questionnaire

The Table 2 reveals that

- The economic condition of the 18.2% sample beneficiaries has not improved.
- The economic condition of the 8.7% sample beneficiaries has improved by less than 20%.
- The economic condition of the 7.4% sample beneficiaries has improved by 20% to 40%.
- The economic condition of the 20.5% sample beneficiaries has improved by 40% to 60%.
- The economic condition of the 41.6% sample beneficiaries has improved by 60% to 80%.
- The economic condition of the 3.7% sample beneficiaries has improved by 80% to 100%.

11. FINDINGS OF THE STUDY

The study has been carried out among 380 farmers taking from 9 branches of the AGVB operating in the 7 development blocks of the Nalbari district. The major findings of the study are cited below:

- The participation of the Assam Gramin Vikash Bank in the development of the agriculture sector in the Nalbari district has been increasing.
- After the investment of the loan taken from the Assam Gramin Vikash Bank the economic condition of about 81.8% of the farmers have improved. This has enabled the farmers to enjoy the basic minimum facilities, thereby improving their living standard.

12. CONCLUSIONS

The Assam Gramin Vikash Bank has been contributing a lot to the development of agriculture in the Nalbari district. It has been assisting the sample farmers for the development of agriculture like a mother who nourishes her children for the betterment of their future.

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