

Encouragement of Entrepreneurship in Agriculture by Commercial Banks: A study of Cachar District of Assam

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ABSTRACT :

India is a developing country and Agriculture is the backbone of the Indian economy. The encouragement of Entrepreneurship in Agriculture can help in the development of the economy in a different of ways. However, the sector is faced with problems relating to credit, infrastructure, marketing, technology, legal formalities and regulations etc. among which insufficiency of finance being the most important one. With this background, this paper has examined the finance provided for Entrepreneurship in Agriculture by Commercial Banks (CBs) in Cachar district from 2009-10 to 2013-14. it is clear from the study that despite the continuous efforts, there exists a substantial gap between the requirement of credit and supply of agricultural credit in both the cases of farmers and Bankers. The findings suggest that Entrepreneurship should be provided finance at rates of interest and on easy repayment basis.

INTRODUCTION :

Farming activities all over the world is going through a phase of transition. In this changing scenario, agriculture is taking new shape and expanding its scope beyond the limits of mere agriculture, horticulture, sericulture and animal husbandry for employment generation and livelihood of rural population as well as urban development. In recent years, there has been a considerable emphasis on crop diversification towards horticulture (fruits, vegetables, ornamental crops, medicinal and aromatic plants and spices), plantation crops (coconut, cashew nuts and cocoa) and allied activities. The problems of unemployment, underemployment and disguised unemployment have swamped the country, especially the rural common people. Considering that 2/3rd of the Indian population is employed in the agriculture sector, providing viable and sustainable business opportunities in Indian agriculture business is essential for generating employment in the country. (Maniammal et.al. 2014)

Entrepreneurship in agriculture is a strategy that can lead to economic self-sufficiency of rural people and employment generation. An Entrepreneurship in agriculture may be defined as someone who undertakes a variety of activities in agriculture and its allied sectors. A farmer to become a successful entrepreneur needs to be active, curious, determined, persistence, visionary, hard working, come up with ideas, communicative with strong management and organizational skills, recognize suitable marketing opportunities, and manage the optimum resources or bearing the risk. Agripreneurship is greatly influenced by three factors namely the economic situation, education and culture in India. Various studies indicate that if the right environment is created and farmers are provided with good infrastructure, technology and timely availability of credit through financial institutions it can enhance food production and can ensure food security, income and quality of life for the farmers. (Meenakshi et.al., 2015)

OPPORTUNITY OF ENTREPRENEURSHIP IN AGRICULTURE IN CACHAR DISTRICT OF ASSAM :

The present study is concerned with entrepreneurship in agriculture sector by commercial banks of Cachar district of Assam. The study covers the operational performance of commercial banks in terms of deposit mobilization, credit deployment, credit deposit ratio and the agriculture sector advances of commercial banks. Advances made to weaker sections and Differential Rate of Interest (DRI) advances are also covered, as these advances are eligible for counting as agriculture sector advances. As a part of the study, recovery performance and non-performing assets of commercial banks are also taken up for study. Further, the scope of entrepreneurship in agriculture sector under district annual credit plans in Cachar district covers only the five groups viz Crop loans, Agriculture term loans, Allied activities, Loans for Horticulture Sector and Other Credit for Pisciculture sector. The scope of the study on financial inclusion is limited to review the agriculture sector advances in the context of financial inclusion programmes. It is intended to know the number of accounts opened by banks from the year 2010 to 2014 and population group wise deposits and advances made by commercial banks in the district during the above period. The study should also cover the functions of Business Correspondents (BCs) and Business Facilitators (BFs) and eligible entities to act as BCs/BFs. The need and functions of Financial Literacy and Credit Counseling Centre will be taken up for study. (*Potential Linked Credit Plan, Cachar District, 2012-13 to 2016-17*).

STATEMENT OF PROBLEM :

The study is limited to the operational performance of the commercial banks in Cachar district. As far as the study is concerned, there are no major limitations but some factors responsible for paucity of entrepreneurship in a country including agripreneurship. Among the various factors, access to capital is an important constraint. Government,

banking and financial institutions have taken several steps for the efficient growth of entrepreneurship in agriculture. Though they provide various assistances, it is found that agripreneurs do not avail these benefits of the government uniformly. It has been observed from the study of the Annual Reports of Lead Bank that banks always fail to achieve its target for financing agripreneurs. For the quarter ended March 2014, advances to agriculture sector accounts for only 26% to total advances by all SCBs. Again, the Govt. introduced various schemes for rural entrepreneurship development like KCC, SGSY, PMEGP, Kalpataru etc. But the progress under these schemes is not satisfactory. As on 31st March 2014, under KCC, the amount targeted for Cachar district was 502079 thousand while the amount sanctioned was only 432020 thousand (*Annual Credit Plan, Cachar District, March 2014*). Thus from the preliminary study it has been found that status of bank finance for agripreneurs in Cachar district is not satisfactory.

OBJECTIVES :

1. To observe the extent of financial assistance provided by the Commercial Banks for entrepreneurship in agriculture activities in Cachar District of Assam.
2. To evaluate the presentation of Commercial Banks with regard to agriculture sector advances in Cachar District.
3. To determine the challenges and offer suggestions for agripreneurship credit.

METHODOLOGY :

Research as defined by Redman and Mory (1923) is "a systematised effort to find out the solution of the problem". The study is descriptive and analytical and is based on secondary data. The secondary data were collected from the Annual Credit Plans of Cachar district published by United Bank of India which is the Lead Bank in the district. The study covers a period of 5 years from 2009-10 to 2013-14. The secondary data collected from Annual Credit Plans have been presented in suitable tables. Percentage analysis has been done to know the performance of scheduled commercial banks with regard to promotion of agripreneurship.

FINDINGS AND DISCUSSION :

Target and achievement of advances to agriculture sector :

The United Bank of India plans the sector wise target for priority sector lending to each participating financial agency in the district. Agriculture is one of the very important aspects of priority sector. The allocated share is called target. The following table-1 exhibits a comparative study of target and achievement reveals the performance for the study periods.

Table : 1

Extent of financial assistance provided by the Commercial Banks for entrepreneurship in agricultural activities in Cachar District. (in thousands)

As on 31st March	Total Priority Sector Advance (1)	Total Advances to Agriculture sector (2)	(2) as percent- age of (1)
2010	56,44,173	18,22,868	32.16
2011	62,69,087	20,71,569	32.58
2012	63,02,818	28,09,257	45.88
2013	82,70,512	35,47,949	42.90
2014	96,27,358	37,44,405	37.49

Source : Annual Credit Plan, Cachar District, 2009-10 to 2013-14

The table -1 shows that the proportion of agriculture credit in the total priority sector advances have increased over the periods but again little fall in 2014 in comparison of percentage . But the share to agriculture sector compared to total priority sector advances have shown a fluctuating trend during the period. The advances of total priority sector and advances to agriculture sectors were simultaneously going upward during the particular year from 2010 to 2014.

Table : 2

Performance of Commercial Banks for agripreneurship advances (in thousand)

SL. No	Year	Target(Rs. in thousands)	Achievement(Rs. in thousands)	Percentage of Achievement
1	2009-10	640555	515522	80
2	2010-11	425858	326333	77
3	2011-12	917140	620114	68
4	2012-13	1509470	862570	57
5	2013-14	2051214	1010270	49
Total		5544237	3334809	60

Source : Annual Credit Plan, Cachar District, 2009-10 to 2013-14 (Note: Percentages are calculated and figures are rounded off)

Table-2 shows that the percentage of achievement for agriculture sector advances varies between 80% and 49%. The table shown that the percentage of achievement gradually

decreased for all the financial year which may indicate that lack of credit flow in the agriculture sector hampering encouragement of agripreneurs in the study region. The average percentage of achievement during the financial year is 60 and it conclude that the performance of commercial banks for advances of agriculture sector is not up to the satisfactory level.

Bank-wise Performance of Commercial Banks with reference to agriculture sector:

The below table shown the performance of all the commercial banks from 2009-10 to 2013-14. Most of the CBs have their branches in Cachar district. Bank wise target, achievement and percentage of achievement for five years from 2009-10 to 2013-14 have been depicted in Table 3.

Table : 3
Bank wise performance of agripreneurship sector advances under annual credit plan in Cachar District (in thousands)

Name of Bank	2009-10			2010-11			2011-12			2012-13			2013-14		
	Target	Achievement	% of Achievement	Target	Achievement	% of Achievement	Target	Achievement	% of Achievement	Target	Achievement	% of Achievement	Target	Achievement	% of Achievement
SBI	75999	167833	234	107000	92213	86	164200	104041	63	264982	96637	36	339541	51074	15
UCO	59330	53035	86	62575	58223	93	88620	75218	85	152000	84886	56	215993	48484	22
CBI	37265	23376	59	40670	31512	77	61045	11861	19	107767	59682	55	142624	399198	38
ALLAHABAD	26445	5486	21	36565	25383	69	55685	17050	31	75097	42901	57	131257	35081	15
PNB	14035	3172	23	19305	15321	79	30440	19600	64	54028	47203	87	57916	21819	32
UNITED BANK OF INDIA	15450	13900	90	13820	17920	130	21550	22203	103	36825	65634	178	55533	8482	15
IOB	14255	1712	12	14905	8201	55	23145	2455	11	39544	4140	10	51335	5210	9
BOB	11910	2146	18	10765	8180	76	17030	7752	46	29642	9370	32	36366	4466	12
VIJOYA BANK	7090	1294	18	7110	5540	78	13565	1500	11	7284	1807	25	29217	282	1
INDIAN BANK	10565	2842	27	9550	7168	75	17690	1019	6	34849	1855	5	35426	250	1
UNION BANK OF INDIA	5875	3678	63	8145	5000	61	15880	21545	136	28217	5356	19	28302	750	3
BANK OF MAHARASTRA	0	0	0	0	0	0	2500	0	0	7543	2045	27	7062	415	6

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BANK OF INDIA	0	0	0	0	0	0	0	0	0	10790	2960	27	6173	963	16
CANARA BANK	0	0	0	0	0	0	0	0	0	10690	4616	43	5073	0	0
ORIENTAL BANK OF COMMERCE	0	0	0	0	0	0	0	0	0	0	0	0	5073	128	3
SYNDICATE BANK	0	0	0	0	0	0	0	0	0	0	0	0	5073	200	4
AGVB	141855	122762	87	174540	175031	100	247855	224067	90	465838	260402	56	619431	240608	25
FEDERAL BANK	6580	4520	69	6030	4520	75	10490	337	3	17916	0	0	20237	0	0
HDFC	5620	0	0	3940	0	0	8315	16942	204	15154	14748	97	15816	64188	146
ICICI	4475	1001	22	3360	0	0	7100	433	6	19326	1114	6	13986	0	0
AXIS BANK	3160	0	0	4670	0	0	10090	0	0	18267	0	0	18488	16971	39
INDUSIND	0	0	0	900	0	0	1940	4475	231	7543	55530	736	6219	66501	317
IDBI	0	0	0	0	0	0	0	0	0	6168	1684	27	5073	1200	17
TOTAL	439945	413757	94	523850	454212	87	797140	530498	67	1409470	762570	54	1851214	966270	52

Source : Annual Credit Plan, Cachar District, 2009-10 to 2013-14 Note: Percentages are calculated and figures are rounded off.

Table-3 shows that the amount allocated as target was steadily increased over the period in case of all banks. With regard to bank-wise performance of agriculture sector advances it is seen that the achievement percentage is not uniform over the five years. The performance of banks like SBI, UCO bank, CBI, PNB, UBI etc. are satisfactory while it is very poor for Indian Bank, Indian Overseas Bank, Vijaya bank etc.

CONCLUSION AND SUGGESTIONS :

Agriculture is the backbone of the Indian economy. From the present study, it is observed that advances to agripreneurship sector are not up to the level. Considering this situation, the following suggestions may be considered relevant for the development of agripreneurship.

Awareness campaign should be arranged among the entrepreneurship those who opt for it or already exist. Through the programme they should be made aware of the various provisions available for them. It is necessary to make them understand that loans are advanced for undertaking agripreneurial activities. The agripreneurs should be provided finance at minimum rates of interest and on easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to agripreneurs.

Banks may consider providing adequately qualified and trained personnel in rural and semi urban branches to accomplish the targeted mission. Banks should establish

customer support relations with borrowers rather than simply lending to the agripreneurs. This will help to reduce the risk associated with lending to entrepreneurs.

Agripreneurship is the need of hours to make agriculture a more attractive and profitable venture. It is clear that there is a great scope for entrepreneurship in agriculture and this potentiality can be tapped only by effective support to this sector. The agriculture sector has large potential to contribute to the national income while at the same time providing direct employment and income to the numerically larger and vulnerable section of the society. Agri-preneurship is not only an opportunity but also a necessity for improving the production and profitability in agriculture and allied sector (Bairwa et.al., 2014). Hence, adequate infrastructural support including credit is highly desirable for promotion of agripreneurship. The scheduled commercial banks can play a pivotal role to augment for promotion of agripreneurship.

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