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ROLE OF LEAD BANK IN STRENGTHENING RURAL CREDIT AND AGRICULTURAL FINANCE: A STUDY OF SATNA DISTRICT

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ABSTRACT :

The Lead Bank Scheme (LBS) has emerged as a significant institutional mechanism for strengthening rural credit delivery and agricultural finance in India. By coordinating the activities of commercial banks, cooperative institutions and government agencies, the Lead Bank facilitates timely access to institutional credit for farmers and rural entrepreneurs. The present study examines the role of the Lead Bank in strengthening rural credit and agricultural finance in Satna District, Madhya Pradesh. The study is based on both primary data collected from 300 respondents and secondary data obtained from publications of the Reserve Bank of India, NABARD, the State Level Bankers' Committee and government reports. The findings indicate that the Lead Bank has substantially improved access to agricultural credit, promoted investment in farm modernization and encouraged allied agricultural activities. However, challenges such as procedural delays, inadequate financial literacy and uneven credit accessibility continue to affect the efficiency of rural credit delivery. The study emphasizes the need for policy interventions to strengthen institutional coordination and enhance sustainable agricultural development.

KEYWORDS: *Lead Bank Scheme; Rural Credit; Agricultural Finance; Institutional Credit; Priority Sector Lending; Agricultural Development; Financial Inclusion; Satna District.*

INTRODUCTION :

Agriculture has historically remained the foundation of India's economy and continues to provide livelihood opportunities to a substantial proportion of the country's rural population. Although the relative contribution of agriculture to the Gross Domestic Product has gradually declined with the expansion of the industrial and service sectors, its significance in ensuring food security, rural employment, poverty reduction and balanced regional development remains unquestionable. Sustainable agricultural development largely depends upon the availability of timely, adequate and affordable institutional credit, which enables farmers to adopt modern production technologies, improve resource utilization, diversify agricultural activities and enhance farm productivity. Consequently, rural credit has emerged as one of the most important instruments for promoting agricultural growth and inclusive rural development. Institutional agricultural finance occupies a central position within the rural financial system because it facilitates productive investment and minimizes dependence on informal sources of borrowing. Traditionally, a large proportion of rural households relied upon moneylenders and informal credit agencies, resulting in high borrowing costs and persistent indebtedness. Recognizing these structural deficiencies, the Government of India and the Reserve Bank of India initiated a series of institutional reforms to strengthen rural banking and expand the availability of formal agricultural finance. Among these reforms, the introduction of the Lead Bank Scheme (LBS) in 1969 represented a landmark initiative aimed at promoting coordinated district-level banking development and improving the flow of institutional credit to priority sectors.

The Lead Bank Scheme was introduced following the recommendations of the Gadgil Study Group with the objective of assigning one commercial bank as the coordinating agency for each district. The Lead Bank is entrusted with the responsibility of assessing district-specific development potential, preparing District Credit Plans, coordinating banking institutions, monitoring credit deployment and facilitating the implementation of various government-sponsored development programmes. Through this institutional framework, the scheme seeks to promote balanced regional development by ensuring equitable distribution of financial resources across agriculture, rural industries, micro-enterprises and other priority sectors.

Agricultural finance has become increasingly important in the context of rising production costs, technological advancement, climate variability and changing market conditions. The adoption of improved seeds, fertilizers, irrigation facilities, farm mechanization, precision agriculture and post-harvest infrastructure requires substantial financial investment that cannot generally be met through farmers' personal savings. Institutional agricultural credit therefore serves as a catalyst for increasing productivity, improving farm income, strengthening rural livelihoods and promoting long-term agricultural sustainability. The Lead Bank contributes significantly to this process by coordinating the flow of agricultural credit through commercial banks, Regional Rural Banks, cooperative banks and other financial institutions. The banking sector has undergone substantial transformation during the past two decades with increasing emphasis on financial inclusion, digital banking and priority sector lending. Several government initiatives, including the Kisan Credit Card (KCC) Scheme, Interest Subvention Scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY), Agriculture Infrastructure Fund (AIF), Direct Benefit Transfer (DBT) and digital payment systems have considerably improved access to institutional finance among rural households. The Lead Bank performs an important coordinating role in implementing these programmes at the district level by ensuring effective collaboration among financial institutions, government departments, NABARD and local administrative agencies.

Satna District occupies an important position in the economic structure of Madhya Pradesh owing to its diversified agricultural base, mineral resources and expanding rural economy. Agriculture constitutes the principal source of livelihood for a majority of the district's population, with wheat, paddy, pulses, oilseeds and horticultural crops forming the major components of agricultural production. Nevertheless, agricultural development in the district continues to face several structural constraints, including fragmented landholdings, inadequate irrigation facilities, low farm mechanization, climatic uncertainties, market imperfections and limited access to institutional agricultural finance. These challenges highlight the necessity of strengthening rural credit delivery mechanisms through effective institutional coordination. The Lead Bank of Satna District performs several developmental functions that extend beyond conventional banking operations. It prepares the District Credit Plan in consultation with NABARD, government departments, commercial banks, cooperative institutions and Regional Rural Banks. Through District Consultative Committee (DCC) meetings and District Level Review Committee (DLRC) meetings, the Lead Bank reviews credit deployment, monitors banking performance and identifies sector-specific financial requirements. Such institutional coordination contributes to improving agricultural investment and expanding financial outreach in rural areas.

In addition to facilitating agricultural credit, the Lead Bank promotes financial inclusion through the expansion of banking infrastructure, Financial Literacy Centres, Business Correspondent models, digital banking services and implementation of various social security schemes. These initiatives have enhanced access to formal banking services among small and marginal farmers, women, self-help groups, tenant cultivators and economically weaker sections. The increasing adoption of mobile banking, Aadhaar-enabled payment systems, Unified Payments Interface (UPI) and digital financial services has further strengthened transparency and efficiency within the rural financial ecosystem.

Despite considerable institutional progress, several challenges continue to affect the effectiveness of agricultural finance in Satna District. Procedural complexities associated with loan sanctioning, inadequate financial literacy, delays in credit disbursement, insufficient collateral security, limited awareness regarding government-sponsored credit schemes and uneven distribution of banking infrastructure remain major constraints affecting rural borrowers. Small and marginal farmers, in particular, continue to experience difficulties in accessing timely institutional finance, thereby restricting productive investment and technological adoption. These operational challenges necessitate continuous policy interventions aimed at improving credit accessibility, strengthening institutional coordination and enhancing the efficiency of rural banking services.

Against this background, the present study seeks to critically examine the role of the Lead Bank in strengthening rural credit and agricultural finance in Satna District. The study attempts to evaluate the effectiveness of institutional credit in supporting agricultural production, promoting investment in farm modernization and improving rural livelihoods. It also identifies the major challenges associated with agricultural credit delivery and suggests policy measures for enhancing the contribution of the Lead Bank towards sustainable agricultural development and balanced rural economic growth. From an economic perspective, the study provides empirical insights into the relationship between institutional finance and agricultural development, thereby contributing to the broader discourse on rural banking, financial inclusion and regional economic development.

RESEARCH OBJECTIVES:

Rural credit and agricultural finance constitute fundamental determinants of agricultural productivity, farm income and sustainable rural economic development. The Lead Bank Scheme has been designed to strengthen institutional credit delivery by ensuring effective coordination among financial institutions and facilitating the implementation of priority sector lending programmes at the district level. In Satna District, the Lead Bank plays a significant developmental role in expanding agricultural credit, improving financial accessibility and supporting government-sponsored rural development initiatives. Therefore, the present study seeks to empirically evaluate the effectiveness of the Lead Bank in strengthening rural credit and agricultural finance and its contribution to the agricultural economy of Satna District. The present study has been undertaken with the following objectives:

- To examine the role of the Lead Bank in strengthening rural credit delivery and institutional agricultural finance in Satna District.
- To assess the effectiveness of the Lead Bank in facilitating farmers' access to agricultural credit and government-sponsored agricultural finance schemes in Satna District.
- To evaluate the contribution of the Lead Bank towards enhancing agricultural productivity, rural income and sustainable rural economic development through institutional credit in Satna District.

RESEARCH METHODOLOGY:

The present study adopts a descriptive and analytical research design to examine the role of the Lead Bank in strengthening rural credit and agricultural finance in Satna District of Madhya Pradesh. Both primary and secondary data have been employed to achieve the objectives of the study. Primary data were collected from 300 respondents, comprising farmers, agricultural borrowers, members of Self-Help Groups (SHGs) and beneficiaries of institutional agricultural credit through a structured questionnaire and personal interviews using the simple random sampling technique. Secondary data were obtained from authentic sources such as publications of the Reserve Bank of India (RBI), NABARD, State Level Bankers' Committee (SLBC), District Credit Plan (DCP), Government of Madhya Pradesh, annual reports, books, research journals and official statistical publications. The collected data were systematically classified, tabulated and analyzed using percentage analysis to evaluate the effectiveness of the Lead Bank in improving rural credit accessibility and agricultural finance in Satna District.

Data Analysis:

Institutional agricultural credit is a critical determinant of agricultural investment, productivity enhancement and sustainable rural development. The Lead Bank facilitates the effective implementation of agricultural credit policies through coordinated banking activities and priority sector lending programmes. To assess the utilization pattern of institutional agricultural finance, primary data were collected from 300 respondents in Satna District. The respondents were classified according to the major agricultural purposes for which they obtained institutional credit. The analysis reflects the priority areas where financial assistance has been utilized for enhancing agricultural production and allied activities. The distribution of respondents provides empirical evidence regarding the effectiveness of rural credit in supporting farm modernization and agricultural diversification. The following table presents the purpose-wise utilization of institutional agricultural credit among the selected respondents.

Table-1 : Purpose-wise Utilization of Institutional Agricultural Credit in Satna District

S. No.	Particulars	Number of Respondents	Percentage (%)
1	Purchase of Agricultural Inputs (Seeds, Fertilizers & Pesticides)	96	32.00
2	Purchase of Farm Machinery and Equipment	78	26.00
3	Irrigation Development and Land Improvement	66	22.00
4	Dairy Farming, Horticulture and Other Allied Activities	60	20.00
	Total	**300**	**100.00**

Source: Primary Survey Conducted by the Researcher, Satna District, 2025-26

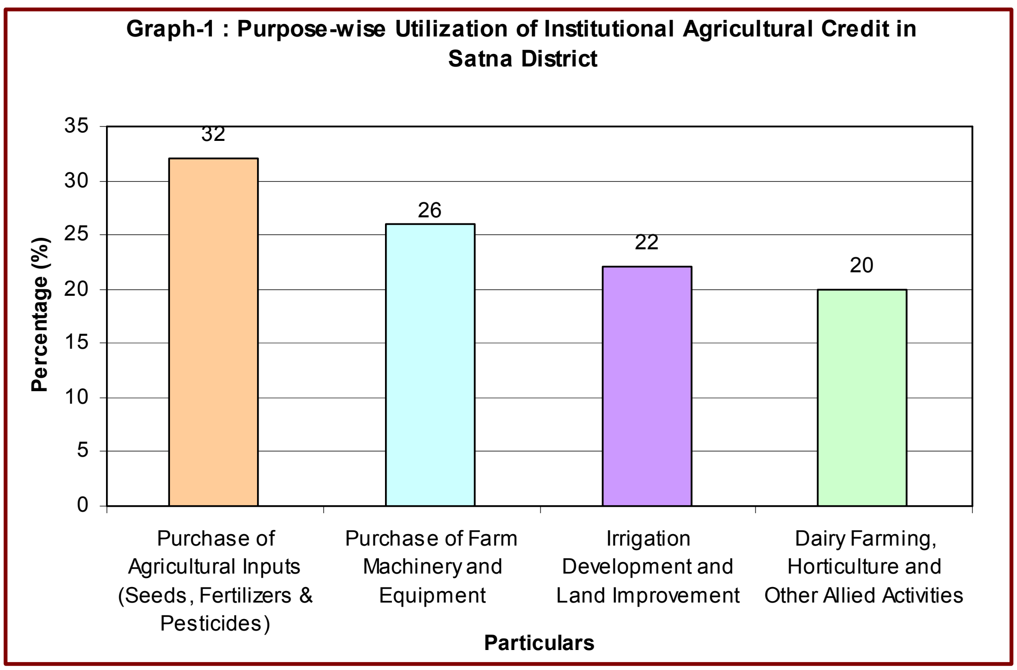

Table 1 and graph indicates that 32.00 percent of the respondents utilized institutional agricultural credit for purchasing agricultural inputs, demonstrating the predominance of crop production financing. Twenty-six percent invested in farm machinery and equipment, indicating increasing mechanization in agricultural practices. Further, 22.00 percent utilized credit for irrigation development and land improvement, while 20.00 percent invested in dairy farming, horticulture and other allied agricultural activities. The findings suggest that the Lead Bank has played a significant role in channelizing institutional credit towards productive agricultural investments, thereby strengthening agricultural finance, improving resource utilization and promoting sustainable rural economic development in Satna District.

CONCLUSION:

The findings of the present study reveal that the Lead Bank Scheme has played a significant role in strengthening rural credit delivery and agricultural finance in Satna District. Through effective coordination among commercial banks, cooperative institutions, Regional Rural Banks and government agencies, the Lead Bank has enhanced the accessibility of institutional credit for farmers and rural entrepreneurs. The empirical analysis indicates that institutional agricultural finance has primarily been utilized for the purchase of agricultural inputs, farm mechanization, irrigation development and allied agricultural activities, thereby contributing to higher agricultural productivity and improved rural livelihoods. The expansion of priority sector lending, financial inclusion initiatives and credit-linked government schemes has further strengthened the agricultural financing system within the district. However, the study also identifies several challenges affecting the efficient delivery of rural credit, including procedural complexities in loan sanctioning, inadequate financial literacy, delays in credit disbursement, insufficient awareness of agricultural finance schemes and limited banking outreach in certain rural areas. Addressing these constraints through simplified credit procedures, capacity-building programmes, digital financial services and stronger institutional coordination would enhance the effectiveness of the Lead Bank Scheme. Therefore, the study concludes that the Lead Bank remains a crucial institutional mechanism for promoting agricultural modernization, strengthening rural credit, increasing farm income and achieving sustainable and inclusive rural economic development in Satna District.

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