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STRUCTURE AND PERFORMANCE OF THE INSTITUTIONAL AGRICULTURAL CREDIT SYSTEM IN BANKA DISTRICT OF BIHAR, INDIA

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ABSTRACT

The study examines the structure and performance of the institutional agricultural credit delivery system in Banka district of Bihar, a district officially classified among the 100 agriculturally less-developed and distress-affected districts of India. The analysis is based on six years (2020-21 to 2025-26) of secondary data compiled from State Level Bankers' Committee (SLBC) reports, Lead Bank Office records and district Economic Surveys. Results show that the district had 137 bank branches in 2025-26, of which Commercial Banks accounted for 47.45 per cent, Regional Rural Banks for 38.69 per cent, Small Finance Banks for 8.03 per cent and Cooperative Credit Banks for merely 5.84 per cent. Despite 96.50 per cent of the district's population being rural, only 62.04 per cent of bank branches were located in rural areas, resulting in a skewed bank density of one branch for every 30,310 persons in rural areas against one branch for every 1,800 persons in urban and semi-urban areas. The flow of institutional agricultural credit under the Annual Credit Plan grew at a compound annual growth rate of about 44 per cent between 2021-22 and 2024-25, and the district achieved 91.71 per cent of its overall Annual Credit Plan target and 87.94 per cent of its agriculture-sector target in 2025-26. Kisan Credit Card issuance, however, achieved only 81.88 per cent of its target on average with marked year-to-year volatility, while the six-year average credit-deposit ratio stood at a low 49.48 per cent, well below the Reserve Bank of India's benchmark of 60 per cent. The study concludes that the credit delivery system of Banka district is structurally skewed against rural areas and characterized by low local credit deployment despite reasonably high target achievement, warranting stronger rural branch presence, streamlined Kisan Credit Card processing and enforceable credit-deposit ratio benchmarks.

Key words : Annual Credit Plan, Bank density, Credit-deposit ratio, Institutional credit, Kisan Credit Card.

Introduction

Agriculture remains the principal source of livelihood for a large proportion of India's rural population, and institutional credit has long been recognized as a critical input for investment and productivity growth in the sector (Reserve Bank of India, 2019). The institutionalization of agricultural credit began in 1904 with co-operative credit societies and progressed through the nationalization of commercial banks (1969, 1980), the creation of Regional Rural Banks in 1975, and the establishment of NABARD in 1982 as the apex refinancing institution for rural credit (Gulati and Juneja, 2019; NABARD, 2025). Subsequent instruments such as the single-window system for crop

loans and the Kisan Credit Card (KCC) scheme were introduced to widen and simplify credit delivery to farmers.

Despite this multi-agency credit architecture, the reach and performance of institutional credit continue to vary widely across regions and a gap persists between the physical presence of banking infrastructure and its effective utilization (Reserve Bank of India, 2019; Acharya, 2006). Mohan (2006) observed that structural weaknesses continue to affect the viability of rural credit institutions, Golait (2007) noted persistent regional disparities in credit flow relative to agricultural development and Satish (2007) argued that the post-reform banking environment has in several respects,

constrained institutional agricultural lending. Bihar, characterized by a preponderance of small and marginal holdings and one of the lowest per capita incomes among Indian states (Ministry of Statistics and Programme Implementation, 2026), is a setting in which the structure and functional performance of institutional credit assume particular importance.

Banka district has been identified by the Ministry of Finance's Expert Group on Agricultural Indebtedness as one of the 100 agriculturally less-developed and distress-affected districts of the country, on the basis of low agricultural productivity, a low credit-deposit ratio and predominantly rural household composition (Radhakrishna *et al.*, 2007) and continues to record high multidimensional poverty (NITI Aayog, 2024). Kumar *et al.* (2010) showed that farm size, literacy and proximity to a bank branch determine farm households' use of institutional credit, underscoring the relevance of the banking network's physical structure. Understanding how the credit delivery system of such a district is structured and how it performs is therefore a necessary first step before any household-level analysis of credit access can be meaningfully interpreted (State Level Bankers' Committee, Bihar, 2025). Against this background, the present paper analyses the institutional structure and temporal performance of the agricultural credit delivery system of Banka district over 2020-21 to 2025-26, with a view to identifying gaps that constrain the effectiveness of institutional credit in one of India's most credit-deficient districts.

Materials and Methods

Study area and data sources

The study was conducted in Banka district of Bihar, purposively selected owing to its classification among India's 100 agriculturally less-developed and distress-affected districts (Radhakrishna *et al.*, 2007; NITI Aayog, 2024). Three development blocks, viz. Barahat, Belhar and Dhoraiya were selected randomly, and three villages were further selected randomly from each block (Table 1) for the associated household-level component of the

Table 1 : Blocks and villages covered under the study.

Selection criterion	Barahat block	Belhar block	Dhoraiya block
No. of villages studied	3	3	3
Villages selected	Charsia, Kachmachiya, Panjwara	Sauthadih, Madhuwa, Jhikulia	Jasmatpur, Motanga, Sitachak

Source: Field survey records.

broader study. The present paper, however, relates to the district- and block-level structure and performance of the institutional credit system and is based on secondary data spanning 2020-21 to 2025-26 (2025-26 figures being provisional/part-year), drawn from SLBC Bihar reports, district Economic Surveys, Lead Bank Office (LBO) records and the Directorate of Economics and Statistics, Bihar.

Analytical framework

The structural framework was assessed by computing the number and percentage share of distinct institutional agencies, namely Commercial Banks (CBs), Cooperative Credit Banks (CCBs), Regional Rural Banks (RRBs) and Small Finance Banks (SFBs), disaggregated by rural, semi-urban and urban location. Bank density was computed as population served per bank branch, separately for rural and urban/semi-urban areas. Performance was examined using percentages and ratios to track temporal shifts in (i) target and achievement under the Annual Credit Plan, by institution and sector; (ii) target and achievement in Kisan Credit Card issuance; and (iii) the credit-deposit (CD) ratio of banks in the district, following the descriptive approach commonly used in the analysis of institutional agricultural credit flow (Abhang *et al.*, 2026)). The compound annual growth rate (CAGR) of credit flow and KCC issuance over 2021-22 to 2024-25, the four consecutive years with complete data, was computed as:

$$\text{CAGR (\%)} = [(V_n / V_0)^{(1/n)} - 1] \times 100$$

where, V_n is the value of the indicator in the terminal year, V_0 its value in the base year, and n the number of intervening years. Provisional 2025-26 figures are reported in the tables for completeness, but excluded from the CAGR computation as they reflect only a part-year outturn.

Results and Discussion

Institutional structure of the credit delivery system

Table 2 presents the distribution of bank branches in Banka district relative to Bihar as a whole. Scheduled Commercial Banks (SCBs) accounted for the largest share (65 branches), followed by Regional Rural Banks (53), Small Finance Banks (11) and Cooperative Credit Banks (8), out of a district total of 137 branches. Against the corresponding all-Bihar totals (5,529 SCB, 2,104 RRB, 391 SFB and 303 cooperative branches), Banka district's share of the state's banking network is modest relative to its demographic size.

At the block level (Table 3), Dhoraiya had the highest number of branches (12), followed by Belhar (10) and

Table 2 : Distribution of bank branches in Banka district and Bihar, by location.

Institution	Rural	Semi-urban	Urban	Banka Total	Bihar Total
SCB	39	26	0	65	5529
COOP	6	2	0	8	303
RRB	46	7	0	53	2104
SFB	4	6	1	11	391
Total	95	41	1	137	8327

Note: SCB = Scheduled Commercial Bank, COOP = Co-operative Bank, RRB = Regional Rural Bank, SFB = Small Finance Bank. Source: State Level Bankers' Committee, Bihar, 2025.

Table 3 : Distribution of bank branches in selected blocks of Banka district.

Institution	Barahat	Belhar	Dhoraiya
SCB	5	4	5
COOP	1	1	1
RRB	3	5	6
Total	9	10	12

Source: State Level Bankers' Committee, Bihar, 2025.

Barahat (9), with RRBs the single largest category in all three blocks, mirroring the district-level dominance of RRBs and SCBs and the near-negligible presence of cooperative institutions.

A location-wise breakdown (Table 4) shows that RRBs were overwhelmingly rural (86.79%) and CCBs predominantly rural (75.00%), while CBs had a lower rural share (60.00%) and SFBs were the least rural-oriented (54.55% semi-urban). Overall, only 62.04 per cent of the district's 137 branches were rural, even though the district's population is overwhelmingly rural.

This imbalance is sharpened by bank density (Table 5): rural areas, home to 96.50 per cent of the population, are served by only 62.04 per cent of branches, giving a density of one branch per 30,310 persons in rural areas against one per 1,800 in urban/semi-urban areas, a more than sixteen-fold disparity, likely to impose a heavy transaction load on rural branches and constrain timely credit delivery (Directorate of Economics and Statistics, 2025).

Performance of institutional agencies in credit delivery

Table 6 presents the flow of agricultural credit over 2021-22 to 2025-26. Total target rose from Rs 256 crore in 2021-22 to Rs 746 crore in 2024-25, with achievement

Table 4 : Location-wise distribution of bank branches by institution in Banka district (%).

Institution	Rural	Semi-urban	Urban
Commercial Banks	60.00	40.00	0.00
Cooperative Credit Banks	75.00	25.00	0.00
Regional Rural Banks	86.79	13.21	0.00
Small Finance Banks	36.36	54.55	9.09
Total	62.04	37.23	0.73

Source: State Level Bankers' Committee, Bihar, FY 2025-26.

Table 5 : Bank density in Banka district, 2025-26.

Location	Population (%)	Branches (%)	Density (person:branch)
Rural	25,76,375 (96.50)	85 (62.04)	30,310:1
Urban & Semi-urban	93,625 (3.50)	52 (37.96)	1,800:1
Total	26,70,000 (100.00)	137 (100.00)	19,489:1

Source: Directorate of Economics and Statistics, Bihar, 2025; Technical Group on Population Projections.

rising from Rs 217 crore to Rs 653 crore, a compound annual growth rate of about 44.3 per cent. Achievement as a share of target improved from 84.77 per cent to 87.53 per cent over these years, with RRBs recording a particularly high ratio of 98.38 per cent in 2024-25. The lower 2025-26 figures reflect part-year, provisional reporting. A broadly similar pattern of strong growth with year-to-year fluctuation has been reported elsewhere in India (Abhang *et al.*, 2026).

Kisan Credit Card (KCC) issuance (Table 7) presents a less favorable picture. Achievement rose from 38,124 cards in 2021-22 to 59,130 in 2024-25 (CAGR of about 15.8%), but percentage achievement was volatile, falling to 74.09 per cent in 2022-23 before recovering to 85.82 per cent in 2024-25, averaging only 81.88 per cent, suggesting that targets have periodically been set without adequate reference to on-ground processing capacity.

Table 8 disaggregates ACP targets by sector and institution. Agriculture accounted for the largest share of the total ACP target (53.92%), followed by MSME (25.86%) and other priority sectors (7.59%), together 87.37 per cent of the target under the priority sector. CCBs directed their entire target to agriculture, while CBs and RRBs maintained a more diversified mix, RRBs allocating 68.45 per cent of their target to agriculture.

Achievement against the ACP target (Table 9) shows the district achieved 91.71 per cent of its overall target

Table 6 : Pattern of flow of agricultural credit in Banka district (Rs crore).

Year	CB target	CB Ach. (%)	RRB target	RRB Ach. (%)	Total target	Total Ach. (%)
2021-22	159	150 (94.34)	65	56 (86.15)	256	217 (84.77)
2022-23	268	214 (79.85)	153	96 (62.75)	466	323 (69.31)
2023-24	360	293 (81.39)	206	148 (71.84)	620	453 (73.06)
2024-25	431	400 (92.81)	247	243 (98.38)	746	653 (87.53)
2025-26*	1045	391.38 (37.45)	211	113.62 (53.85)	1743	631.25 (36.22)
Average (21-22 to 24-25)	304.50	264.25 (86.09)	167.75	135.75 (80.94)	522.00	411.50 (78.72)

Note: Figures in parentheses indicate achievement as % of target. *Provisional/part-year, excluded from CAGR. Source: SLBC Bihar Report, 2025.

Table 7 : Pattern of Kisan Credit Cards issued by banks in Banka district.

Year	Target	Achievement	% Achievement
2021-22	42,650	38,124	89.39
2022-23	49,180	36,440	74.09
2023-24	56,540	44,215	78.20
2024-25	68,900	59,130	85.82
2025-26*	1,05,326	41,245	39.16
Average (21-22 to 24-25)	54,317.50	44,477.25	81.88

Source: SLBC Bihar Report (2025).

26 figures, with credit (CAGR ~16.5%) growing faster than deposits (CAGR ~11.5%). Even so, the six-year average CD ratio of 49.48 per cent remained well below the Reserve Bank of India's benchmark of 60 per cent, implying that more than half of deposits mobilized in the district are transferred out for lending elsewhere (Reserve Bank of India, 2019).

Compound annual growth rates for core credit metrics over the period of complete reporting (Table 11) reveal an asymmetric trajectory: while credit flow expanded at a robust CAGR of 44.3 per cent, KCC outreach grew at a much more modest 15.8 per cent, indicating that expansion was driven more by 'credit

Table 8 : Sector- and institution-wise ACP credit targets in Banka district, 2025-26 (Rs lakh).

Institution	Agriculture	MSME	Other priority	Total priority
Commercial Banks	63,540 (42.82)	41,200 (27.77)	13,780 (9.29)	1,18,520 (79.88)
Cooperative Credit Banks	8,940 (100.00)	0 (0.00)	0 (0.00)	0 (0.00)
Regional Rural Bank	58,120 (68.45)	21,430 (25.24)	4,610 (5.43)	84,160 (99.12)
Total	1,30,600 (53.92)	62,630 (25.86)	18,390 (7.59)	2,11,620 (87.37)

Source: Ground Level Credit Plan and Lead Bank Scheme Agenda, Banka district, SLBC Bihar (2025-26).

and 93.08 per cent of its priority-sector target in 2025-26. Micro and Small Enterprises exceeded target (106.82%), agriculture achieved 87.94 per cent, and the non-priority sector recorded the lowest ratio (82.29%). The high aggregate achievement, contrasted with the low rural bank density in Table 5, points to a structural paradox of macro-level target fulfilment alongside a thin rural banking presence.

The credit-deposit (CD) ratio (Table 10) summarizes the extent to which locally mobilized deposits are reinvested within the district. The ratio rose from 44.88 per cent in 2020-21 to a peak of 53.53 per cent in 2024-25, before declining to 50.36 per cent in provisional 2025-

Table 9 : Sector-wise target and achievement under the ACP of Banka district, 2025-26.

Sector	Target (Rs lakh)	Achievement (Rs lakh)	% Achieved
Agriculture	1,30,600	1,14,845	87.94
Micro and Small Enterprises	62,630	66,901	106.82
Other Priority Sector	18,390	15,220	82.76
Total Priority Sector	2,11,620	1,96,966	93.08
Non-Priority Sector	30,600	25,180	82.29
Total	2,42,220	2,22,146	91.71

Source: State Level Bankers' Committee Report, 2025.

Table 10 : Pattern of credit-deposit ratio of banks in Banka district.

Year	Deposit (Rs lakh)	Credit (Rs lakh)	CD ratio (%)
2020-21	3,52,410	1,58,160	44.88
2021-22	3,89,150	1,81,420	46.62
2022-23	4,36,800	2,12,550	48.66
2023-24	4,95,703	2,61,998	52.85
2024-25	5,44,100	2,91,240	53.53
2025-26*	6,15,480	3,09,976	50.36
Average	4,72,273.83	2,35,890.67	49.48

Note: *Provisional/part-year. Source: SLBC Bihar Report, 2025.

Table 11 : Compounded Annual Growth Rate (CAGR) of key indicators, 2021-22 to 2024-25.

Credit indicator	CAGR(%)
Institutional Agricultural Credit Flow (Achievement)	44.3
Kisan Credit Card (KCC) Issuance (Achievement)	15.8
Total Local Credit Growth	16.5
Total Local Deposit Mobilization	11.5

Source: Author's computation based on collected secondary data.

deepening' (larger loans per account) than by 'credit widening' (inclusion of new borrowers). Similarly, total local credit deployment (CAGR 16.5%) outstripped deposit mobilization (CAGR 11.5%), yet from a depressed 44.88 per cent baseline in 2020-21 this was not enough to push the CD ratio past the RBI's 60 per cent benchmark, confirming that Banka district remains a net exporter of financial capital.

Conclusion

The credit delivery system of Banka district is characterized by a numerically adequate but spatially skewed banking network, in which RRBs and CBs dominate branch presence while CCBs remain marginal. Although 96.50 per cent of the population resides in rural areas, only 62.04 per cent of branches are located there, producing a rural bank density more than sixteen times thinner than in urban and semi-urban areas. Performance in terms of Annual Credit Plan achievement has been comparatively strong (91.71% overall, 87.94% for agriculture), with credit flow growing at a CAGR of about 44 per cent between 2021-22 and 2024-25. KCC issuance, by contrast, has shown considerable volatility (81.88% average achievement), and the credit-deposit ratio has averaged only 49.48 per cent over six years,

persistently below the RBI's 60 per cent benchmark.

These findings point to a macro-micro paradox in which high aggregate target achievement coexists with a thin rural branch network and low local reinvestment of deposits. Policy implications include: expanding the physical rural branch network or supplementing it through mobile banking correspondents to reduce rural-urban disparity in bank density; streamlining KCC processing and aligning targets more closely with administrative capacity; and more actively enforcing CD ratio benchmarks so that deposits mobilized from the district are reinvested in the local agrarian economy. Strengthening these structural and functional dimensions would be a necessary complement to household-level interventions aimed at improving farmers' access to institutional credit.

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