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The role of local market in agricultural marketing in Bihar

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Abstract

Bihar is an agriculture-based economy. More than 75% of its population is dependent on agriculture and allied activities for their livelihood. The local markets of the state are growing rapidly and they are the foundation for marketing of agricultural products. They are the first place where products find their customers, therefore they play a big role in the marketing chain. This study is focused on the status, conditions of local markets, their advantages, challenges they face in the marketing process and how their role could be improved in accelerating the economic growth of the state.

Keywords: Local markets, agriculture, marketing, Bihar

Introduction

Local markets are the fundamental unit of the marketing system. These are the market areas which provide goods and services on a local basis with buyers and sellers of nearby places. They play a crucial role in the development of the economy by giving platforms to local agriculture businesses and traders. They promote local businesses, encourage and develop the marketers, and raise the overall living standard of the people dependent on them. Local markets are directly tied to the rising growth index of the economy, at the local and national levels. They provide employment opportunities and marketplaces for new marketers, thereby boosting the local economy. By generating employment, they help reduce the unemployment rate and decrease migration in the region. Additionally, local markets are platforms for traditional crafts, skills, and cultural heritage, which helps in preserving and promoting local culture, attracting tourists, and allowing the local economy to flourish. These markets are sustainable in their operations since a major part of the commodities come from farms or are natural, reducing the need for transporting goods.

Analysis of the Existing Literature

The local agriculture market of Bihar has been a less researched area in the agriculture marketing system of India. Vishwanath Gupta opines that if marketing of agriculture produce is properly organized, it can fetch a good price to the farmers and he will be inspired to produce more. Efficient and properly organized marketing should, therefore, ensure a fair price to the producer as well as to the consumer.

According to HS Mittendorf in his study "The need for strengthening the Agricultural Marketing Services," he has emphasized the importance of passing the benefits of growth to farmers. He says that passing the profit to the producer is more important than increasing the production rate in developing countries.

Dr. S. Shanmuga Sundaram and Mr. Natarajan in their article "A study on Uzhavar Sandhai" say that farmers' markets help farmers to get reasonable prices for their produce, avoiding all unwanted and unreasonable charges.

Bhagirath Singh has stated that developing infrastructure for post-harvest management, processing, marketing, and agri-business and its enhancement of export potential in selected areas that have the comparative advantage. Kiran Shankar Chakraborty has analysed and in the marketing of agricultural produce, the farmer has been in all cases a price taker. Therefore, if the farmer's share in the consumer's price is inadequate, he will not be encouraged for further production.

Objectives of the study

- To find out factors responsible for lack of investment in local markets.
- To find the possible ways to promote management in local markets.
- To provide suggestive measures for the development of local markets in Bihar.

Agriculture in India

Agriculture has been the backbone of the Indian economy for ages. With the increasing global population, the demand for agricultural products has risen significantly, boosting the agricultural market at both national and international levels. Marketing is a crucial part of the agricultural process, especially for marginal farmers who produce on a smaller scale. According to a report by Niti Aayog (2019-20), agriculture retains 45.6% of the workforce in India, with Bihar's figure at 40%. The primary sector contributes around 18.3% to India's GDP, while Bihar's GSDP from agriculture is close to 20%.

India faced significant economic challenges post-independence in 1947, with 70% of total employment in the agricultural sector in 1951, contributing around 55% to the GDP. The agricultural markets were largely unregulated, leading to insufficient food grain production, reliance on imports, and low profits for farmers. Consequently, the State Agriculture Produce Marketing (Development and Regulation) Act was passed, establishing regulated markets, which later became the Agricultural Produce Marketing Committee (APMC) Act. Initially successful, the number of regulated agriculture markets grew from 200 in 1951 to over 7,060 by the end of 1998.

Agricultural marketing at the local level plays a major role in raising farm income. Effective marketing increases a product's value and customer reach, as seen with the Shahi Litchi of Muzaffarpur district and Makhana production in Madhubani and Darbhanga in Bihar. Bihar, with 84% of its 9.4 million hectares cropped, produced 179.52 lakh metric tons of food grains in 2020-21, including 73.93 lakh metric tons of rice and 66.35 lakh metric tons of wheat. The state also has significant fruit and vegetable cultivation areas, contributing 25.162% to India's total fruit production.

Reasons behind decline in lack of investment in agriculture

A continuous decline has been observed in the agriculture sector since 2013-14. The Gross Capital Formation in Agriculture (GCFA) has come down from 17.5 percent in 2013-14 to 15.7 percent in 2020-21. The compound annual growth rate (CAGR) of GCFA was 9.4 during the period 2004-05 to 2013-14, but it dropped sharply to 1.3% between 2013-14 to 2020-21, which has posed a great negative impact on the entire agricultural marketing system including local markets which are based on agricultural products and people depended on them for their livelihoods.

Following are some of the key factors responsible for this deceleration

1. **Compositional shift in Public Investment:** More than 70% of government investment in the agriculture sector is for irrigational projects which have shifted the focus from other areas and has affected the interest of poor farmers.
2. **Changes in RKVY Program:** Since 2014, states were

bearing 40% of the expenditure of Rashtriya Krishi Vikas Yojana (RKVY) program. Since 2014, this requirement has been relaxed which has diluted the agricultural investment per year.

3. **Exclusions from Agricultural Sector:** Expenditures like rural electrification, power supply, road construction, building storage facilities, agricultural research programs, fertilizers, and pesticide industries are not categorized as agriculture or allied sectors. This has lessened the annual figure of overall invested amount in agriculture sector on papers.
4. **Reduction in Private Investment:** A major part of investment in agriculture sector comes from private (households, farmers themselves) which is 82% of total. Remaining 17.49% is public investment and 0.51% is invested by corporates. Over the years, there has been a downfall in farmers' income (medium & small farmers) and it has dampened the private investment in agriculture.
5. **Shift in Agricultural Practices:** Farmers are now indulged in more modern and cost-efficient methods of farming like micro irrigation, use of natural fertilizers (which they prepare by themselves). All these may have an impact on investment percentage.
6. **Government Policies:** Economic factors such as government policies, economic growth rate of country, macro-economic cycles etc can have an influence on the investment in agriculture sector.
7. **Climate Issues:** Changes in global and rural climatic conditions have affected the economic & agricultural process around the world. It has increased the risk of crop failure and lowers farmers' income which can pose threats to investment in the sector.

Impact of Less Investment in Agricultural Sector

1. **Reduced Agricultural Growth:** Less investment in the sector will lead to slower growth process. It can hugely affect the local markets and people associated with them.
2. **Income Inequality:** Less investment in agriculture will lead to increased gap in income levels in the country. That in could result in more lack of interest among people to choose agriculture as their or other employment sectors.
3. **Impact on Food Security:** According to FAO, world needs to produce 50% more food by 2050. But a decline in agricultural investment can create obstacles in completion of this goal and increase hunger and malnutrition in the world.
4. **Less Competitiveness:** Lack of investment in agriculture can put us behind in world competition, country will be affected by less food production, and dependency on other countries can be increased.
5. **Employment Opportunities:** Agriculture sector will fail to create jobs for people if there is less investment in the sector. More people will prefer other sectors and marketing channels and their dependents will be highly affected.
6. **Dependence on Monsoon:** Reduced investment will make people to be dependent on monsoon for irrigation, which can not only increase the cost of production but also impact the quality of produce.

Impact of Local Markets in Marketing of Agricultural Products in Bihar

1. The Bihar government, in collaboration with the Government of India, has effectively marketed the Shahi Litchi of Muzaffarpur, which now has a significant demand both nationally and internationally. In 2018, it became the fourth agricultural product from the state to receive a Geographical Indications (GI) Tag. APEDA, in collaboration with the Department of Agriculture, Bihar, and other stakeholders, facilitated the export, increasing from 161.5 MT in 2007-08 to 987 MT in 2015-16. The product is now exported to several countries, including London, the Netherlands, UAE, Canada, and Saudi Arabia.
2. According to the Directorate of Horticulture, Bihar, the state produces 70% of the country's total Makhana production. The area under Makhana cultivation increased by 114.9% from approximately 13,000 hectares in FY 2012-13 to 27,887 hectares in FY 2019-20, with leading production districts including Katihar, Purnia, Darbhanga, and Madhubani.

Advantages of Local Markets in Agricultural Marketing

1. **Employment Generation:** Local markets create employment opportunities for local people, helping to keep migration in check. They provide platforms for various products, helping them find larger markets.
2. **Economic Growth:** Rural markets boost the local economy by encouraging people to earn and spend within their locality, ensuring money circulates locally and positively impacts everyone.
3. **Promotion of Local Products:** Local markets help products gain recognition and demand, leading to growth and higher income returns by reaching larger customer bases.
4. **Empowering Women:** Local markets provide rural women with opportunities to sell their products, helping them earn a living and become financially independent.
5. **Maintaining Public Health:** Local markets offer fresh vegetables and farm products. Small farmers, who typically do not use fertilizers or chemicals, produce organic and healthy products for consumers, selling them in local markets.

Challenges in Marketing at the Local Level

1. **Less Awareness:** Both sellers and customers often lack awareness of market demand, supplies, and government policies, affecting their income.
2. **Communication:** Rural marketers face communication challenges with urban or international customers, impacting their business.
3. **Seasonal Demand:** Local market demand fluctuates with crop cycles, as most of the population earns money during sowing and harvesting periods.
4. **Transportation:** Poor road connectivity and unavailability of transportation affect agricultural marketing in local areas.
5. **Cultural Factors:** Customer buying habits are based on traditions and cultures, requiring rigorous marketing efforts to change preferences.
6. **Less Growth:** Marketers find it difficult to penetrate local markets and maintain stable demand, resulting in less growth and higher investment with potentially lower profitability.

Government Support

Infrastructure Building by Government to Boost Agriculture & Allied Activities in Bihar

1. **Irrigation:** Bihar's agriculture depends on irrigation due to varying rainfall patterns. The irrigation ratio in Bihar is 68.72%, with tubewells and canals being the main sources. The Bihar Shatabdi Nalkup Yojana and PM Krishi Sinchayi Yojana (PMSY) are key irrigation schemes.
2. **Flood Protection:** Bihar faces annual floods, with significant efforts to build dams and embankments. By 2017, 3,789.96 km of embankments had been constructed, covering 52.8% of flood-affected areas. Plans for 2017-18 included building further 3.43 lakh hectares of flood-affected areas.
3. **Power for Agriculture:** The "Mukhya Mantri Krishi Vidut Sambandh Yojana" provides electricity to farms at a cheaper rate of 65 paisa per unit. For 2022, Rs 1,329.61 crore was allocated for this scheme. The state government also decided to install "Smart Prepaid Meters" in towns and cities.
4. **Roads:** Bihar's road network comprised 211,016 km as of 2020. The State Highway Development Program aims to widen all state highways to two lanes with an estimated budget of \$15.8 billion until 2035.
5. **Storage Capability:** Central and Bihar governments are enhancing storage facilities, providing subsidies to encourage building cold storages. The state has 202 cold storages, with government subsidies covering up to 50% of costs per unit.

Suggestions

1. Implement strategies to safeguard businesses from floods and droughts, affecting over 70% of the state's population annually.
2. Increase the use of solar-based electricity to reduce long-term costs and ensure environmental sustainability.
3. Encourage dairy farming as a supplementary income source for farmers, providing subsidies for livestock purchases.
4. Eliminate middlemen from marketing channels and develop new marketplaces with good infrastructure to attract external businessmen.
5. Establish new power plants to meet increasing electricity consumption, generate employment, and export surplus power.

Conclusion

Bihar, with more than 58% of its population below 25 years of age, has significant potential for development and growth. With the increasing demand for agricultural products, the government should strategically link the youth's energy to the marketing needs of different sectors, including agriculture. Strengthening and integrating the local agricultural marketing system will enhance production levels and exports from the state.

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