

**COMMERCIAL BANKS: THEIR CONTRIBUTION
AND FACTORS REFRAIN FROM FINANCING
SMALL AGRICULTURE SECTOR**

**A RESEARCH PAPER SUBMITTED TO THE MARA
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Abstract

This project paper emphasizes on contributions of commercial banks to agricultural sector by providing credit facilities to them. Also make an analysis to the factors that refrain the commercial banks from financing this sector especially the small agriculture sector. Lack and shortage of capital for Small Medium Industry (SMI) is highly correlated with their difficulty in obtaining loans. The objective of this study, is to find out on what factors that leads to that situation, in other words, why the commercial banks refrain themselves from providing this sector a credit facilities.

To know the contributions of commercial banks to the sector, a time series data from 1992 to 1996 has been collected. A set of questionnaires are then distributed to the credit officer of 10 domestic commercial banks in Kota Bharu to know their perception regarding this problem.

From the data that has been collected, it has been proof that the commercial banks is the major credit contribution to this sector and play an important roles towards the successful of agricultural sector. And from the perception of the respondents based on the questionnaire, a few factor that refrain the commercial banks from financing the small agriculture sector has been identified according to their level of important cause to the problems.

Lastly, a few recommendations to the banks and the small farmers have been made to be implemented with the hope that both parties can solve their problem. And then, small agriculture sector can play an important role by giving large contribution to the country.

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