

# State-wise Credit to Agriculture by Scheduled Commercial Banks

Vijay Kumar & Ekta

Research Scholars, Department of Commerce, Kurukshetra University Kurukshetra

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**ABSTRACT:** *Agricultural Finance is a part of rural development that provides loans for agriculture. Agricultural development is as important as technology development. Agriculture and its activities play an important role in the economic prosperity and development of the nation. Agriculture accounts for 19% of GDP in the Indian economy. Due to seasonal production, reliance on natural resources, floods, droughts, biological processes etc. increasing the agricultural output is very difficult. In today's modern era, the demand for agricultural credit is increasing, which has given agriculture a new direction. After independence, the first Five Year Plan was introduced in the country from 1 April 1951 to 1956, the main objective of which was to improve the agricultural structure. Agricultural finance provides various types of loan like Investment finance, Productive finance, Short-term, Mid-term, Long-term agricultural finance etc. The study attempts to critically evaluate the state-wise Agricultural credit granted by the scheduled commercial banks over a period of 17years (2000-17).The analysis is based on the sample of five Northern States - Haryana, Punjab, Himachal Pradesh, Jammu & Kashmir & Rajasthan and two Union Territories - Chandigarh and Delhi.Based on analysis, suggestions to improve the credit disbursement and agricultural productivity have been made.*

**Key Words:** *Agricultural development, GDP, Technological Changes, Finance, Farmers.*

## Introduction: -

By focusing on the analysis of economic development and progress of the world, it is clear that the agricultural system of most agricultural countries of the world is backward, due to which they are in the category of poor and backward states. Agriculture and its activities play an important role in the economic prosperity and development of the nation. Agricultural Finance is a part of rural development which provides loans for agriculture. Agricultural development is as important as technology development. Farmers can purchase and use equipment only if they have sufficient funds. Due to insufficient funds, farmers were required agricultural loans, which were provided by professional money lender up to 1935. Since the passing of RBI Act, 1934, District Central Cooperative Banks and Land Development Banks have made efforts to improve the situation of agricultural loans from time to time, which enabled powerful agencies to provide loans to farmers at affordable rates. Through these banks, the RBI took the responsibility to provide advanced loans to the farmers. Cooperative banks were started in 1930 but they did their activities right after independence. In 1969, 14 major commercial banks were nationalized, after which these banks and cooperative banks achieved a dimension for branch expansion and made special contribution in bringing green, white and yellow revolution. Farmers were deprived of lack of adequate funds and due to lack of good seeds, tools, resources and facilities due to improper use of the land, due to which they could not produce good crop. Therefore, to overcome this problem, there was a need for agricultural fund which was also necessary for development. Agriculture accounts for 19% of GDP in the Indian economy. Due to seasonal production, reliance on natural resources, floods, droughts, biological processes etc. financial institutions hesitate to provide finance. But in today's modern era the demand for agricultural credit is increasing, which has given agriculture a new direction.To meet the goal of the agricultural sector, all institutions (banking and non-banking) need to be integrated so that these facilities can be provided with a broad perspective. Agricultural credit plays an important role in reviving stable agriculture with developing countries including India. Therefore, it is very necessary to increase production and productivity for economic progress and development. India is an agricultural country, most of which live in rural areas. According to the World Bank, in 2017, it was 66.46% of the total population, which lives in the villages. Agriculture contribution in GDP to 18-19% in 2018. Agriculture is the main source of income for the people of rural areas. The basic requirement of people also depends on agriculture. In conclusion, commercial and non-commercial activities are based on agriculture. Agriculture and agricultural actions also affect the balance of payments.

**First phase of development: -**

After independence, the first Five Year Plan came in the country from 1st April, 1951 to 1956, whose main objective was to improve the agricultural structure. So far 12th Five Year Plans are being run in the country, but now "Policy Commission" has been formed since January 1, 2015. In India, due to industrialization and increasing population, agricultural land has decreased, which is affecting our self-reliance.

**Second step: -**

To increase agricultural productivity, good quality fertilizers, seeds and pesticides should be utilized to produce more production on less land. This will be possible only if the modern techniques and machines will be used in agriculture. Farmers should be given adequate funds at the right time so that they can meet agricultural needs on time.

**The concept of agricultural finance: -**

Generally, which is provided to the industries, it is called industrial finance and the distribution provided for agriculture or agricultural activities will be kept in the category of agricultural finance.

**Characteristics of the sound agricultural credit system: -**

In relation to this system, two separate criteria have been set which are as follows:

- To be adequately safe,
- Low risk of lenders,
- Affordable and flexible,
- Equality in case of loan

**Estimation of the need for agricultural finance: -**

Estimation of agricultural finance in the national economy of the country is determined by national commission and researchers in respect to specific areas, districts / tehsils on the basis of credit requirements of rural areas. In these estimates, loans and costs are often involved.

**Literature Review: -**

**M. Kumar et al. (2010)** has explained the role of microfinance as an anti-Poverty vaccine for rural India. India is 2nd populated country in the world and its more than 60% population dependent on agriculture. This study was conducted to determine the need of microfinance for rural sector of India for poverty alleviation. So, resources try to find the broad areas and scope of microfinance in rural India. The main purpose of researchers in present study was to evaluate the growth of microfinance sector developed in India and also to study the pattern of micro-finance in rural India by MFZ and NBFIs for conducting the research. Secondary data has been used. The major findings of the research shown the considerable gap between demand and supply for all financial services. It is also found that measure of farmers were not able to get the financial services. So, it can be concluded that there is need to promote the rural finance in every region of the country.

**Cabannes, Y. (2012).** In this study, Cabannes has explained that most small urban farmers have lack of access to financing. This paper reports on action research undertaken by local teams in 17 cities of different size in America Asia and Africa and the teams examined have urban farmers are their activities and also to determine the gap between their needs and the existing practices. These cities were selected because in these cities urban agricultural activity is being conducted. Sample were collected from representative of the range of urban agriculture experience. This study was divided into two parts namely first is based on the practice of public and private financial Institutions and second deal with the practice of small scale urban farmers around resource mobilization and Saving. **Findings-** The researchers says that urban and peri-urban agriculture is a major bottleneck in maintaining, expanding and scaling up affordable, accessible food production in cities. Governments, banks and international aid agencies need to support urban farmers all along the value chain. So that there is a need to stimulate local finance institutions and local government to create advocate funding window for small scale urban farmers.

**Binswanger, H. P., & Khandker, S. R. (1995).** The impact of formal finance on the rural economy of India by *Binswanger-Et Al.* This paper has explained a review of the agricultural policy, division. The research was founded by the research to support budget under research India has continuously developed an adequate system to increase the agricultural credit system. The main propose to develop such a system was to eliminate the role of money lenders, and to achieve higher level of Agricultural credit and output. But from the research it has been found that credit is far away from the reach of farmers. Long-term credit is tablet totally goes to large farmers. The data used for research are drawn from 85 district of India. Period of study was from 1972-73 to 1982-81. 765 samples are randomly selected for the output supply and wage equations. 738 sample used for the fertilizers equations and 228 sample were used for the investment

equation. Secondary data of commercial bank are used from RBI statistics finding of the research showed that institutional growth and Higher lending volumes lead to modest increase in aggregate crop output sharp increase in the one use of fertilizers. The value of extra-agricultural income associated with the extra credit is assumed to be the additional return to fixed factors in agriculture. At last it can be concluded that India has systematically pursued a supply lending approach to increase agricultural credit.

**Dev, S. M. (2003).** The main purpose of this article is to show the budget proposals and highlight the problems that have to tackled for better performance in all these sectors. The problems of the farmers in the agriculture sector, and the employees are facing problems in employment sector. It is calculated by the percentage method. By calculating the 3 tables. The comparison should be between 1990-2000. **Limitation-** The growth rate of GDP in the total agriculture sector was around 3.1% in 1980 but in 1990 was declining (in table 2). Table 3 growth rate in GDP agriculture declined to 12 out of 15 states in 1990. Three states shows negative growth in GDP Bihar, Orissa, Gujarat. The overall employment growth declined from 2.04 % during 1983-94 to 0.98 in 1994-2000. **Findings-** (1) How the total agriculture and allied of crop sector, livestock forestry they all are going to declining in 1990 to 2000. (2) Diversification in price and incomes contribute 50% in the additional employment then also budget is declining.

**Sahu, G. B., & Rajasekhar, D. (2005). Sahu, G. B., & Rajasekhar, D. (2005).** **Purpose-** Banking sector reforms improved the share of net bank credit to agriculture sector. Increase in the lending rate to be suitable mean to reduce the supply of agricultural credit and addresses by analysis the data on the total outstanding credit provided by the scheduled commercial bank to the agriculture sector during the period 1981 to 2000. **Limitations-** Degradation of interest may help the formal agencies to enhance the proportion of disbursement to agriculture sector in overall net bank credit. Increase in the availability of funds may reduce the SLR or CRR. Most of the loss making bank branches during the period located in rural areas. The recommendation that the quality of lending is to improve the institution credit by marginal and small farmers. **Findings-** The trend in the credit flow agriculture by SCBs during the period 1981 to 2000. Have been analyzed in this article the analysis being out of that the share of credit to agriculture in total net bank credits and significantly declined especially after the banking sector reforms. This shows that an increasing lending rate reduces to agriculture and CBs. The interest rate serves the usual allocative role of equating supply and demand for loanable funds and affects the quality of lenders. **Policy implications-** That it may not be sound to increase the interest rate In future the high risk group of the borrowers may be excluded in response of excess demand of farmers. So that they cannot buy the goods on credit.

#### Objective of study:-

- To find out the state wise credit to Agricultural by Scheduled Commercial Bank
- To study the trend of 17 years of Agricultural financing by Scheduled Commercial Banks

#### Data analysis: -

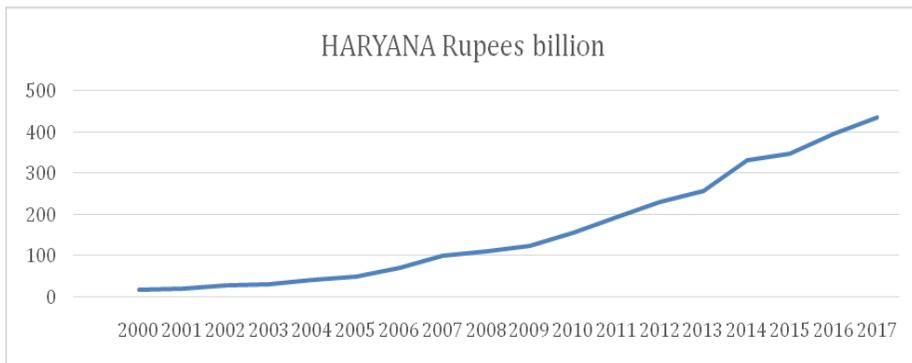
**TABLE 112: STATE-WISE CREDIT TO AGRICULTURE BY SCHEDULED COMMERCIAL BANKS**

NORTHERN STATES	HARYANA	PUNJAB	HIMACHAL PRADESH	JAMMU KASHMIR	CHANDIGARH	RAJASTHAN	DELHI	TOTAL
YEAR	Rupees billion	Rupees billion	Rupees billion	Rupees billion	Rupees billion	Rupees billion	Rupees billion	Rupees billion
2000	17	31	2	1	3	27	7	88
2001	19	35	2	2	4	32	16	109
2002	27	40	3	2	6	41	22	141
2003	31	47	4	3	11	49	36	181
2004	40	56	4	3	12	55	50	219
2005	49	73	8	3	11	70	68	281
2006	71	88	10	4	22	94	117	406
2007	99	132	13	10	31	129	163	576
2008	110	154	14	10	24	160	139	611
2009	125	168	17	10	56	181	168	726
2010	157	203	22	13	74	214	199	882
2011	194	263	24	14	66	268	203	1032

2012	231	312	28	16	44	332	198	1160
2013	258	367	33	28	48	412	163	1310
2014	332	500	41	42	37	508	279	1738
2015	348	572	45	53	25	564	205	1812
2016	395	620	59	55	25	660	246	2060
2017	436	664	57	56	21	759	204	2197

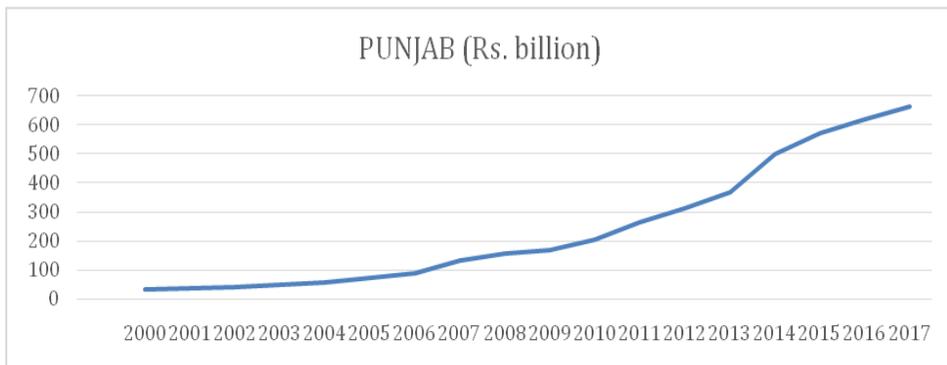
Source: - Basic Statistical Returns of scheduled Commercial banks in India, RBI

**Graph -1**



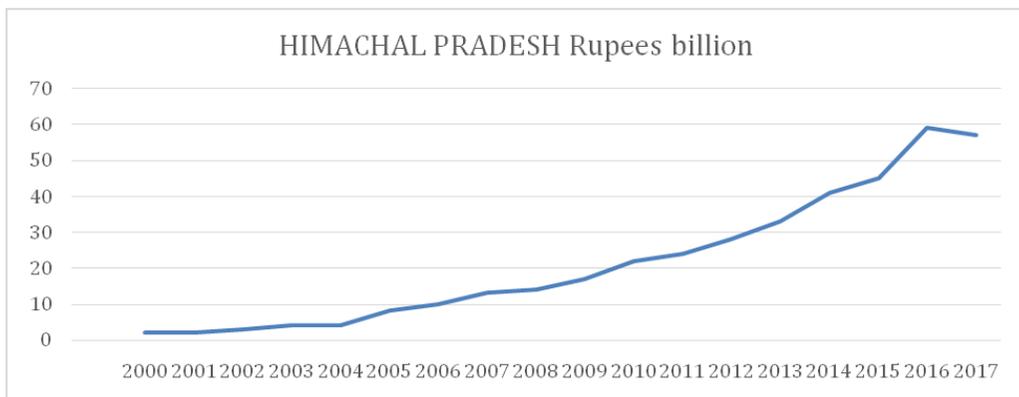
The agricultural credit disbursed by the state Haryana grew at the rate of 21.03 % on annual bases. In the year 2000, it was Rs. 17 billion which rose to Rs. 436 billion in 2017. This is shown by graph -1.

**Graph -2**



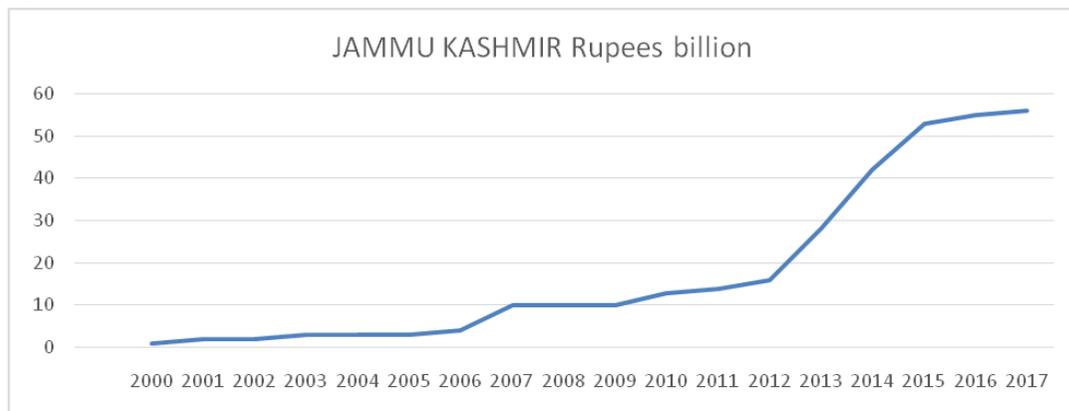
The agricultural credit disbursed by the state Punjab grew at the rate of 19.75 % on annual bases. In the year 2000, it was Rs. 31 billion which rose to Rs. 664 billion in 2017. This is shown by graph -2

**Graph -3**



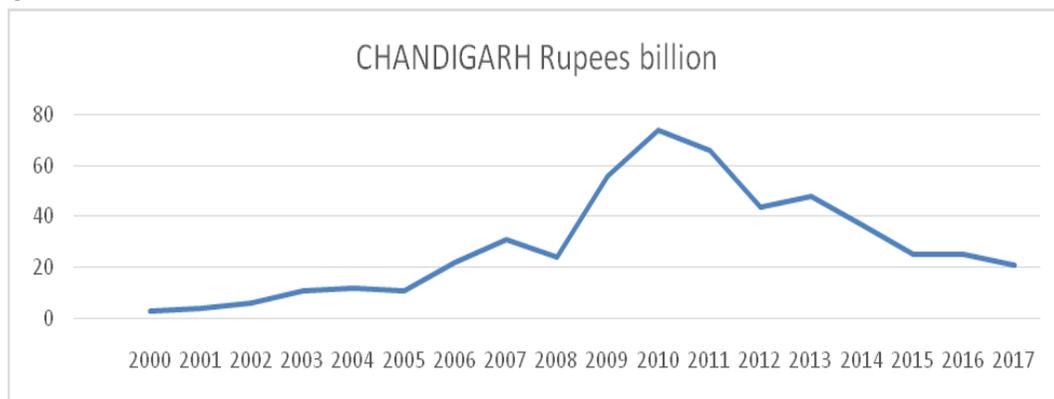
The agricultural credit disbursed by the state Himachal Pradesh grew at the rate of 21.78 % on annual bases. In the year 2000, it was Rs. 2 billion which rose to Rs. 57 billion in 2017. This is shown by graph -3

**Graph -4**



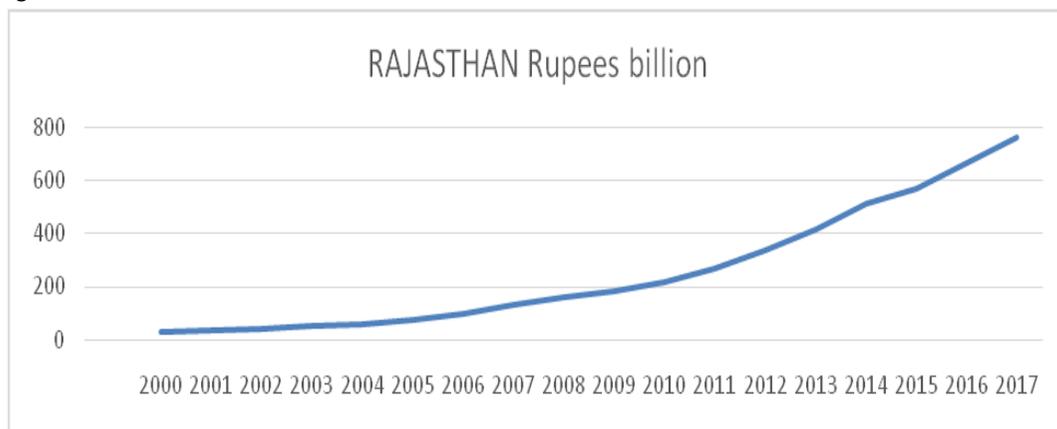
The agricultural credit disbursed by the state Jammu &Kashmir grew at the rate of 26.72 % on annual bases. In the year 2000, it was Rs. 1 billion which rose to Rs. 56 billion in 2017. This is shown by graph -4

**Graph -5**

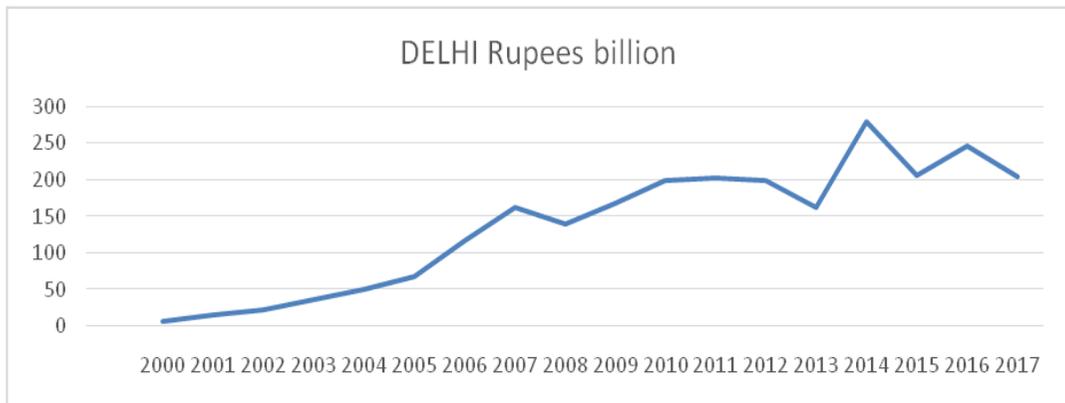


The agricultural credit disbursed by the state Chandigarh grew at the rate of 12.13 % on annual bases. In the year 2000, it was Rs. 3 billion which rose to Rs. 21 billion in 2017. This is shown by graph -5

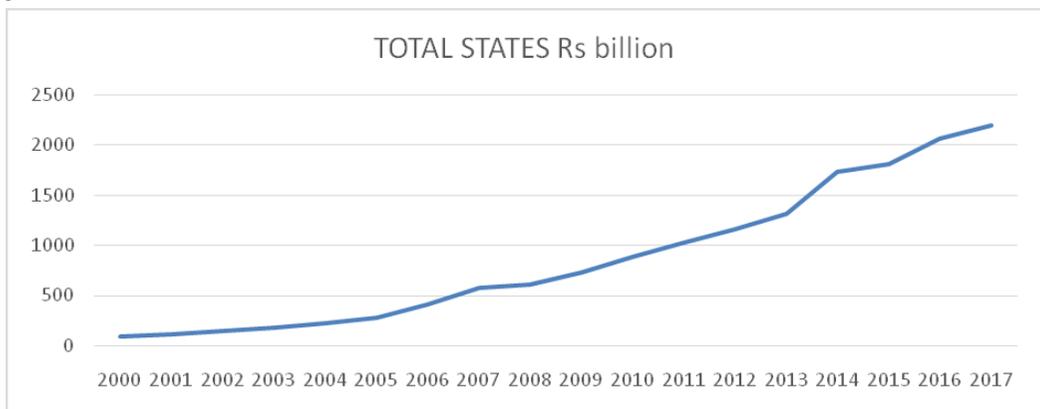
**Graph -6**



The agricultural credit disbursed by the state Rajasthan grew at the rate of 21.68 % on annual bases. In the year 2000, it was Rs. 27 billion which rose to Rs. 759 billion in 2017. This is shown by graph -6

**Graph -7**

The agricultural credit disbursed by the state Delhi grew at the rate of 21.94 % on annual bases. In the year 2000, it was Rs. 7 billion which rose to Rs. 204 billion in 2017. This is shown by graph -7

**Graph -8**

The agricultural credit disbursed by the total states grew at the rate of 20.84 % on annual bases. In the year 2000, it was Rs.88 billion which rose to Rs. 21.97 million in 2017. This is shown by graph -8

**Conclusion: -**

The agricultural credit plays pivotal role in increasing agricultural output as the Indian farmers are in dire need of finance, implied that they have very poor economic status and low amount of land holding and cultivation. Agricultural finance being principal source of livelihood for farmers so it can't be denied. As per this study, the data has been taken for the agricultural credit in those states which have been growing at the rate of 20.84% annually. The Chandigarh UT & Punjab state have provided lowest amount of credit. Jammu & Kashmir state is on the top among all the states who has provided highest amount for agricultural credit. Hence we can say that agricultural credit is very important for improving the situation of Indian farmers and policy maker should also take care of agricultural credit for formation of policies.

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