

Role of Banks on Agricultural Credit in India (With special reference to NABARD)

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ABSTRACT

The aim of this study is to determine the role of banks on agricultural development. Agricultural development is determined in respect of crops, purchase and installation of irrigation equipment, livestock, and marketing of agricultural goods, fisheries, poverty alleviation and income generating activities. Secondary data was collected from annual reports of NABARD Bank during period from 2013 to 2015. The disbursement of agricultural credit on crop production is increased up to Tk. 71.31 billion in 2018 from Tk.33.19 billion in 2013. Subsequently, the disbursement of agricultural credit on purchase and installation of irrigation equipment, crop production, marketing of agricultural goods, fisheries are changed significantly with time. The credit on poverty alleviation increased up to Tk. 18.64 billion in 2018 from Tk.13.61 billion in 2013. The result indicates that bank plays on a significant role on agricultural development in India. Timely flow of agricultural credit can meet farmers demand to ensure agricultural productivity. The study will help governmental policy makers and NABARDs to address and analyze the issues of agricultural sector to provide loan to the farmers for promoting actual development in this sector.

1. Introduction

National Bank for Agriculture and Rural Development (NABARD) is an apex development financial institution in India, headquartered at Mumbai with regional offices all over India. The Bank has been entrusted with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". NABARD is active in developing financial inclusion policy and is a member of the Inclusion. International associates of NABARD include World Bank-affiliated organizations and global developmental agencies working in the field of agriculture and rural development. These organizations help NABARD by advising and giving monetary aid for the raise of the people in the rural areas and optimizing the agricultural process. NABARD is the most important institution in the country which looks after the development of the cottage industry, small scale industry and village industry, and other rural industries .NABARD also reaches out to allied economies and supports and promotes integrated development. National Bank For Agriculture & Rural Development (NABARD) is set up as an apex Development Bank by the Government of India with a mandate for facilitating credit flow for promotion and development of agriculture, cottage and village industries. The credit flow to agriculture activities sanctioned by NABARD reached Rs 1, 57,480crore in 2005-2006. The overall GDP is estimated to grow at 8.4 per cent. The Indian economy as a whole is poised for higher growth in the coming years. Role of NABARD in overall development of India in general and rural & agricultural in specific is highly pivotal. The rural economy in India depends on agriculture which considered as the life-blood of the country's economy.

2. Review of Literature

RajibenSolanki (2016)¹the study explored that the economic principles of farm financial management facilitate in obtaining control over capital and its efficient use. The present study an attempt to analyze the agriculture advances by NABARD banks. This study is based on secondary data. The analysis was made by the application of trend analysis; calculate ratios and chi- square test with time series analysis. Major finding of the study is that agriculture lending by sample bank has failed to reach the target which given by RBI during the study period.

Md. Nazirul Islam Sarker(2016)²the study stated at to Agricultural development is determined in respect of crops, purchase and installation of irrigation equipment, livestock, marketing of agricultural goods, fisheries, poverty alleviation and income generating activities. Secondary data was collected from annual reports of Bangladesh Bank during period from 2010 to 2014. Timely flow of agricultural credit can meet farmers demand to ensure agricultural productivity. The study will help governmental policy makers and NGOs to address and analyze the issues of agricultural sector to provide loan to the farmers for promoting actual development in this sector.

Moumita Banerjee(2018)³ the study examined that the Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. The economic principles of farm financial management facilitate in obtaining control over capital and its efficient use.The present study is an attempt to analyze the agriculture credit by NABARD banks. This study is based on secondary data. The analysis was made by the application of trend analysis. Major finding of the study is that agriculture credit by Bank has increased to reach the target which given by RBI.

Gowhar Bashir Ahangar (2013)⁴the study was entitled that the persistence of money lenders in the rural credit market is

still a major concern. In this backdrop, the present study has assessed the quantum of loans issued and outstanding by institutional agencies and to examine the progress of Scheduled NABARD Banks in supplying agricultural credit in India. The relevant information was gathered through secondary data and compound growth rate were used for the analysis of data.

R.Govindasamy(2013)⁵ the financial institutions is effective channels of credit for farm sector, non-farm sector and other priority sector credit institutions have played a significant role in the development of rural and urban areas.

3. Objectives of the Study

- To find out the barriers of bank on agricultural development in India.
- To examine the progress of NABARD in supplying agricultural credit in India.

4. Research Methodology

• Source of Data

This study mainly depends on the use of secondary data that consists of annual report of the concerned bank. However besides the annual reports various other sources of data have also been used for the study i.e. newspaper, magazine, Economic journals and RBI reports NABARD report etc.

• Tools and Techniques

The following tools were employed to analyses the data with reference to selected objectives of this study. The compound growth rates ratio is calculating.

• Period of the Study:

The researcher has undertaken the study for 5 years i.e. 2013-14 to 2017-18.

• Limitations of the Study:

This study is mainly based on secondary data, taken from the published annual reports, website etc. The study is confined to the agricultural finance only. Personal view differs from one person to other.

5. Results and Discussion

The role of bank on Agricultural development through loan disbursement in India:

The NABARD working in India were disbursed the agricultural loan in the following sectors:

1. Crops / food grains (other than tea).
2. Purchase and installation of Irrigation Equipment.
3. Livestock
4. Marketing of Agricultural goods.
5. Fisheries
6. Poverty alleviation and income generating activities.
7. Other agricultural activities.

- **Crops / food grains (other than tea).**

The farmers of our country receives loan mainly for agricultural crop cultivation. The disbursement of agricultural credit on crop production has rising significantly in its magnitude realizing the importance in more agricultural production. A similar finding was obtained by Alauddin, (2014).

• **Purchase and installation of Irrigation Equipment**

The farmers of our country receives loan for purchasing and installing of irrigation equipment for increasing agricultural crop cultivation. The disbursement of agricultural credit on purchase and installation of irrigation equipment has decreasing slightly in 2013 and 2014. Islam et al(2014) obtained similar findings.

• **Livestock**

Livestock is a major part of agriculture. The farmers rearing livestock for managing agriculture and as like liquid money. The disbursement of agricultural credit on livestock has rising significantly in its magnitude realizing the importance in more agricultural production. A similar finding was obtained by Sharminet *al* (2014).

• **Marketing of agricultural goods**

Marketing of agricultural goods is a major part of agriculture. It is decreasing gradually. Due to developed communication facilities it requires less money with time. A similar finding was obtained by Alauddin (2014).

• **Disbursement of loan on Fisheries**

Fisheries are a major part of agriculture. The farmers are cultivating fisheries for managing agriculture and as like liquid money. The disbursement of agricultural credit on fisheries has rising significantly in its magnitude realizing the importance in more fish production. A similar finding was obtained by Khanam et al (2013).

• **Disbursement of loan for poverty alleviation**

Poverty is a particular situation of human life. It is related to the standard of living and the socio-economic aspects of living. All though apparently it seems that the concept of poverty is primarily linked with money income; the disbursement of loan on alleviating poverty plays a key role on rural economic development. Similar findings were obtained by Mahmud (2006) and Alauddin (2014).

• **Disbursement of loan on other agricultural activities**

Various income generating activities are included in other agricultural activities. So, other agricultural activities play a vital role on rural economic development. The trend is more or less stable up to 2014. Islam et al(2014) and Chowdhury (2002) obtained similar findings.

6. Present Problems of Agricultural Credit

The researcher studied existing literatures, interviewed farmers and bank officials' and identified various causes of agricultural loan problems. The researcher also interviewed to a number of agricultural loan borrower, credit officers of different banks for acquiring primary data related to agricultural loan to determine the problems of agricultural loan. Most of the respondents mentioned the following causes of the problem agricultural loans.

The main difficulties faced by farmers in securing agricultural credit from the formal sector as like banks are the long institutional procedure.

- A tendency is not to pay the loan from the beginning of loan borrowing and waiting for discharge loan by government in case of small loan.
- Lower price of agricultural products and bi-products at harvesting period.
- No training facilities and guidance for utilizing agricultural loan.
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- Lack of proper installment size and credit collection method.
- Very time consuming for documentation in obtaining loan.
- Diversion of agricultural loan to other sector or personal use.
- Loan amount is insufficient than required amount.
- Lack of knowledge for proper utilization of loan.
- Lack of proper investigation before lending agricultural loan.
- Lack of good communication facilities.
- Crop damages due to natural disaster.
- Most of the modern bank operation has not extended adequately in the rural areas.
- Some of the farmers default the loan willfully.
- Institutional credit is not allocated according to the relative efficiency of the cultivator but according to the economic and political power of credit recipients.
- Inadequate supervision due to shortage of field officer of Bank.

7. Growth Analysis of Agricultural Credit in NABARD

year	Minor irrigation	Land development	Form mechanization	Plantation and horticulture	PF/SGP/AH-other	Fisheries	Dairy development
2013-14	2.41	3.88	3.21	3.21	2.89	0.1	4.32
2014-15	3.65	4.14	6.47	6.47	2.14	0.2	5.62
2015-16	2.44	2.23	4.13	4.13	2.57	0.77	5.9
2016-17	2.14	10.75	20.7	4.92	2.03	0.4	3.95
2017-18	2.32	5.46	10.52	1.39	3.12	0.14	5.71
CAGR	0.16	-0.74	-0.99	27.44	-0.26	-0.74	-0.67

The estimated CAGR in growth analysis of agricultural credit in NABARD in the period of 2013-14 to 2017-18 is 27.44 per cent in plantation and horticulture.

Table 2 indicates the production of select food grains in India from 2012-13 to 2016-17

Year	Rice	Wheat	Coarse cereals	Pulses
2012-13	105.24	93.51	40.04	18.34
2013-14	106.65	95.85	43.29	19.25
2014-15	105.48	86.53	42.86	17.15
2015-16	104.41	92.29	38.52	16.35
2016-17	109.15	97.44	44.39	22.4
Mean	106.19	93.12	41.82	18.70
S.D	1.84	4.19	2.44	2.35
CV	1.73	4.50	5.85	12.56

Table 2 describes the production of select food grains in India from 2012-13 to 2016-17. The average production level is fluctuating during the study period. The rice has the highest mean value of 106.19, followed by Wheat, Coarse cereals and pulses. The rice has the lowest coefficient variance indicates that there is more consistency in the production of grain compared to other food grain production in India.

8. Conclusions

The study reveals that the NABARD credit in India to agriculture sector has been increased in its quantum. The credit provided by the various institutional sources has increased its advances. But an effort has to be taken by the banks to reduce its outstanding, so that the recovery institutional credit should be pumped in to agricultural sector further for its growth.