FLOW OF INSTITUTIONAL CREDIT TO AGRICULTURAL SECTOR IN KOLHAPUR DISTRICT

Dr. Kavita Shrikant Vadrale*

*Assistant Director/Assistant Professor,
Yashwantrao Chavan School of Rural Development,
Shivaji University, Kolhapur, Maharrashtra, INDIA

ABSTRACT

Agricultural credit supports to the livelihood of farmers through increasing the productivity and profitability of agriculture. The present paper analyzes the performance under priority sector advances to agriculture sector, recovery performance under priority sector advances; target achieved under priority sector advances to agriculture sector, bank-wise credit disbursement performance and demand and recovery performance. Study finds that, financing to agriculture sector was somewhat positive in nature but the trend was declining in recent years. High variation in agricultural lending was observed in private sector banks than the public sector banks. Moreover, recovery performance was better in co-operative banks than public and private sector banks.

KEYWORDS: *Agricultural Credit, Priority Sector Lending, Performance and Target*

INTRODUCTION

Agriculture is the backbone of the Indian Economy. But still it faces the many problems like low productivity and profitability in agriculture. Post-green revolution period has become increasingly input oriented. Therefore, additional credit was needed to increase the use of inputs, investment, and hence which helps to increase the output. The timely application of these inputs will enhance the productivity and profitability of agriculture. This is the liquidity effect of credit. Thus, improving and extending agriculture financing remains an important challenge and top priority for Indian policymakers. Agricultural credit supports to the livelihood of farmers in developing countries. Access to credit by farmers remains a major challenge. Many small farmers credit were rationed like loan application is rejected; the loan amount is reduced etc. Credit rationing curtails the farmers' ability to purchase farm inputs and adversely affects investment in agriculture. Due consideration of potential benefits of farmers' access to credit and the persistent inadequate access to credit by farmers, several initiatives were undertaken in India.

Major policy initiatives were undertaken for rural finance in general and agriculture finance in particular. Various policies and programs have been formulated to support agriculture

financing such as; Cooperative Credit Societies Act, 1904, Cooperative Societies Act, 1912 (recognition to credit societies, 1934 Reserve Bank of India (RBI), 1949 nationalization of RBI, all India Rural Credit Survey Committee (1951), 1969 Nationalization of Banks and Lead Bank Schemes, 1974 introduction of priority sector lending, 1975 establishment of RRBs, 1982 NABARD, 1995 RIDF, 1998 KCC, 2014, Prime Minister Jan Dhan Yojana, 2015 MUDRA bank etc. with that always efforts were taken for availability of timely, adequate, and affordable credit for farming practices.

The meeting of National Credit Council held in July, 1968 has emphasized that the commercial banks should increase their participation in financing to priority sectors i.e. agriculture and small scale industries. Initially there was no specific target for priority sector lending. In November, 1974 the banks were advised to raise the share of advances to priority sectors up to 33 percent 1/3 per cent of total credit by March 1979. Presently, the target of priority sector lending is 40 percent to Adjusted Net Bank Credit and it was 18 percent to agricultural sector. The paper attempts to examine the institutional credit flow to agricultural sector in Kolhapur District. In that it covered the performance of priority sector advances to agricultural sector, recovery performance under priority sector advances, target achieved under priority sector lending, bank wise demand and recovery performance.

Review of Literature

Sharon K. Bard, (2000) Tobit and OLS regressions were used to assess bank characteristics effects on loan amount and rate. Study finds that loan amounts were not significantly influenced by bank characteristics and loan rates were significantly affected by bank characteristics. Katchova, (2005) analyzed the personal and farm characteristics influences on the use of farm credit. Study observed that gross farm income, risk management strategies, operator's age and risk aversion had significant influences on the likelihood of farm credit. Allen M. Featherstone, (2007) assesses the creditworthiness of farm borrowers by conducting a survey of financial institutions in Kansas and Indiana. In that agricultural lenders were asked for their responses to hypothetical agricultural loan requests. Travis A. Farley, (2007) examined the credit source decision of farm borrowers. Gowhar Bashir Ahangar, (2013) study finds that the highest increase in loans issued was in the case of Scheduled Commercial Banks while the lowest was in the case of Co-operatives.

Valentina Hartarska et.al. (2015), establishes the link between agricultural credit and economic growth in rural areas. Paper evaluates the relation between credit by major lenders in rural areas i.e. commercial banks and Farm Credit System (FCS) institutions and economic growth for the period 1991-2010. Anwarul Hoda, (2015) analyzed the trend in agricultural credit during 1951 to 2013 and credit subsidy in Indian agriculture. Study concluded that the dependency of farmers on non-institutional sources for agricultural credit remains as high as 36 percent in 2013. Vighneswara Swamy, (2016) analyzed the agricultural value chain (AVC) financing approaches and tools in India. It presents the different case studies of Indian AVC financing models and related instruments. Wilm Fecke, (2016) empirically investigated the influencing factors of loan demand in agriculture. Actual loan data at farm level period from 2010 to 2014 is used for the analysis. Study finds that interest rate, grace periods and farmers' business expectations have significant effects on the loan demand in agriculture. Nisha Bharti, (2018) explore the policy interventions on the areas of agriculture finance. Paper concluded that if policy interventions implemented that time, then India is one of the tops in the list of financial inclusion.

Objectives of the Study

1) To examine the institutional credit flow to agricultural sector in Kolhapur District.

2) To compare the bank-wise credit to agricultural sector.

Research Methodology

The present study is based on the secondary data and which is obtained from the various annual credit plans of the Kolhapur District. The time period has been covered by the study is almost ten years i.e. from 2007-08 to 2017-18 to understand the flow of credit to agricultural sector.

Results and Discussion

The present paper analyzes the performance under priority sector advances to agriculture sector, recovery performance under priority sector advances to agriculture sector, Target Achieved under Priority Sector Advances to Agriculture Sector, Bank-wise Credit Disbursement Performance and Demand & Recovery performance were discussed in the figure 1 to 7.

Figure 1: Performance under Priority Sector Advances to Agriculture Sector
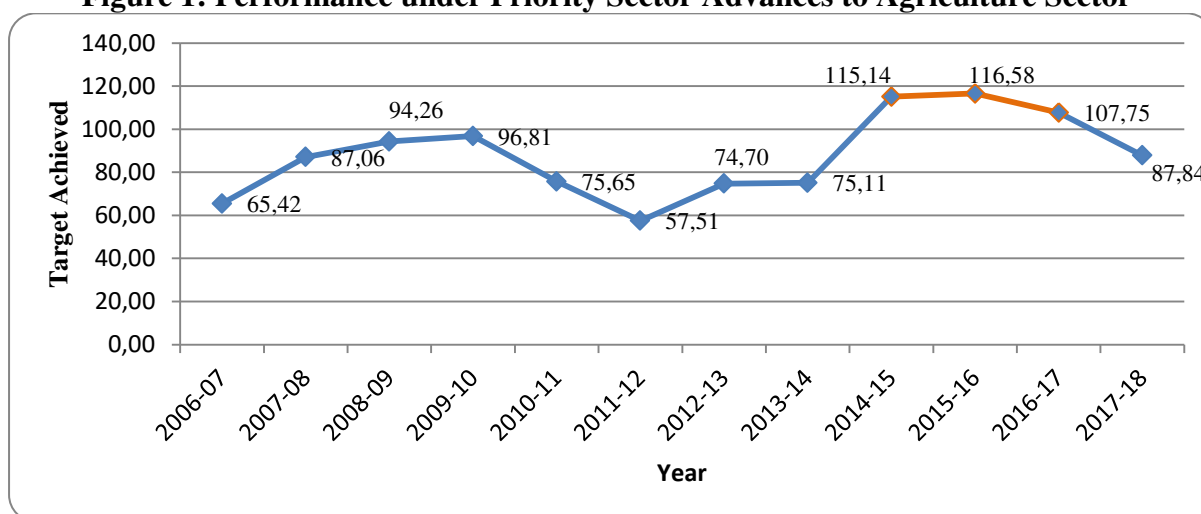
Targets are given to the banks for lending to different sectors under the priority sector bank lending. Figure 1 represents that how much percent of given target is achieved for financing to agriculture sector under priority sector lending during 2006-07 to 2017-18. Except three year periods (2014-15, 2015-16 and 2015-16) remaining all years target were not achieved. Mean of target achieved under priority sector advances to agriculture sector is 87.82 percent. Nearly, sixty to ninety percent of target loan was given to agriculture sector under study period.

Figure 2: Recovery Performance of the Priority Sector Advances to Agriculture Sector
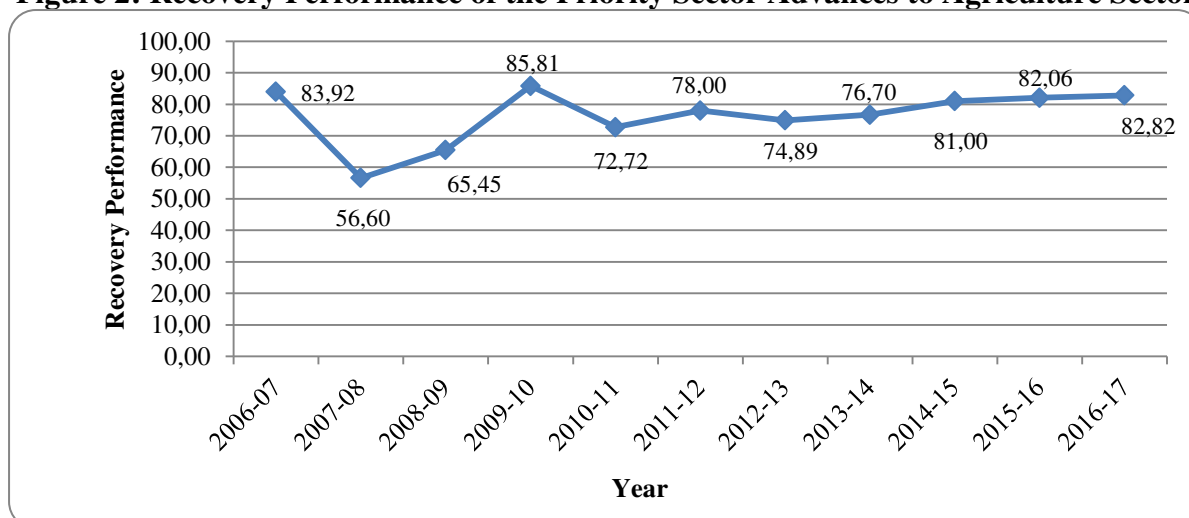
Figure 2 shows the demand and collection performance of Priority Sector Advances to Agriculture Sector from 2006-07 to 2016-17. Banks has recovered around 76 percent of loan only. The trend of recovery performance was somewhat constant during the study period. The co-efficient of variation of recovery performance is 11.49 percent.

Figure 3: Target Achieved under Priority Sector Advances to Agriculture Sector
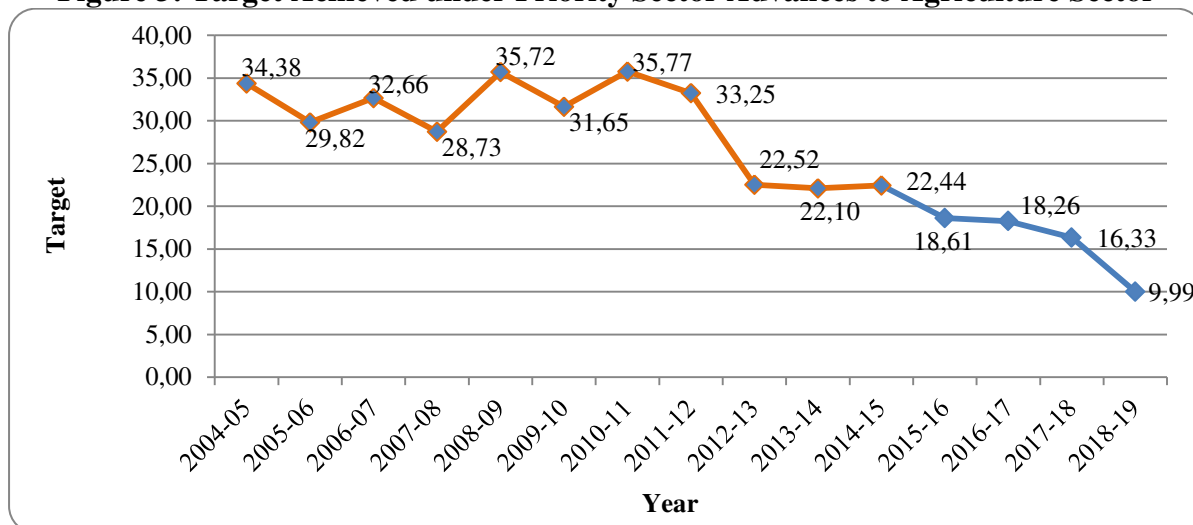

The targets and sub-targets set under priority sector lending has given for all domestic scheduled commercial banks operating in India. The target set for each sector is percentage to Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. The target set for total priority sector is 40 percent and agriculture sector is 18 percent. Financing to agriculture sector in Kolhapur District is somewhat positive in nature but the trend was declining. Financing to agriculture sector was 34.38 percent in 2004-05 is much higher than the 9.99 percent in 2018-19. Kolhapur district was agriculturally developed area and exist the huge sugarcane belt. Therefore, the financing to agriculture sector was better. Except recent two years (2017-18 and 2018-19) remaining all years target were achieved under financing to agricultural sector. Average lending to agriculture sector was 26.15 percent and co-efficient of variation is 30.92 percent.

Figure 4: Bank-wise Credit Disbursement Performance

Year	Public Sector Banks	Private Sector Banks	Co-operative Banks
2007-08	134.45	186.97	56.60
2008-09	115.13	54.46	91.75
2009-10	101.58	98.75	88.08
2010-11	81.67	148.93	58.47
2011-12	97.22	192.82	48.93
2012-13	67.29	53.80	94.78
2013-14	76.51	62.31	79.37
2014-15	98.96	88.15	149.24
2015-16	92.60	107.56	146.57
2016-17	82.32	105.92	139.47
2017-18	71.86	83.68	108.99
Mean	**92.69**	**107.58**	**96.57**
SD	**19.89**	**49.06**	**36.03**
CV	**21.46**	**45.61**	**37.31**

Figure 4 dipicts the Bank-wise agricultural credit disbursement performance during 2007-08 to 2017-18. Figure represents the target set for agricultural lending and target achieved by the various banks. Considering the mean value of target achieved by the banks, it observed that private sector banks lent more than target i.e. 107. 58 percent followed by co-operative banks and public sector banks i.e. 96.57 and 92.69 percent respectively. This is somewhat shocking picture was realised the financing to agriculture sector by banks. On the other hand, high variation in agricultural lending was observed in private sector banks i.e. 45.61 percent and least variation was found in the public sector banks i.e. 21.46 percent. Moreover, more agricultural financing than target was observed in co-operative banks in recent few years. Bank-wise credit disbursement performance to agriculrure under study period was also shown graphically in figure 5.

**Figure 5: Bank-wise Credit Disbursement Performance**
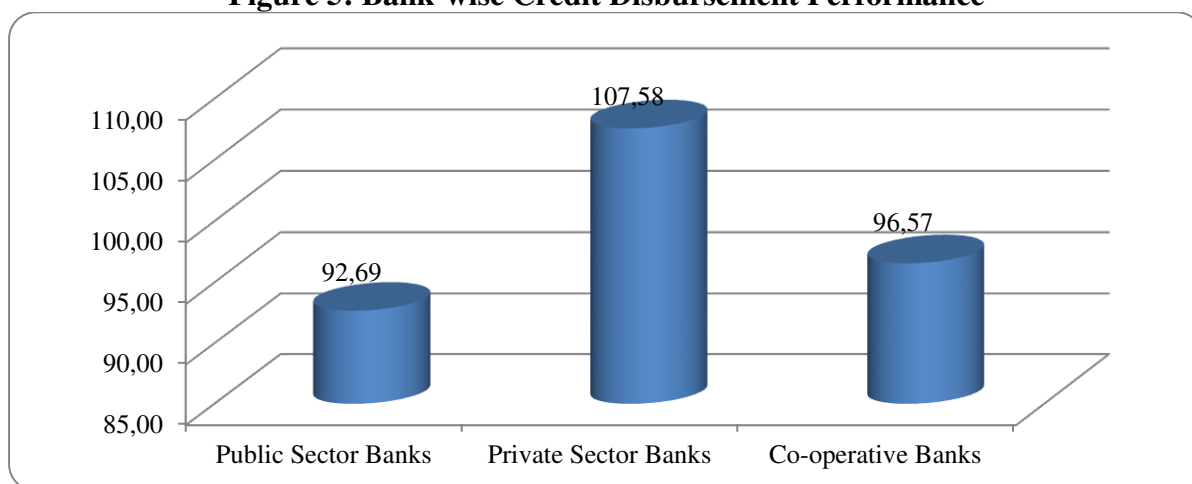
Figure 6: Bank-wise Demand and Recovery

Year	Public Sector Banks	Private Sector Banks	Co-operative Banks
2007-08	54.27	43.31	63.89
2008-09	54.77	44.72	64.08
2009-10	76.75	93.85	93.75
2010-11	66.18	76.99	78.79
2011-12	66.18	76.99	78.79
2012-13	67.00	77.79	88.58
2013-14	72.47	63.30	90.47
2014-15	74.65	52.27	85.84
2015-16	65.41	70.79	79.41
Mean	**66.41**	**66.67**	**80.40**
SD	**7.87**	**17.10**	**10.73**
CV	**11.86**	**25.64**	**13.35**

Figure 6 highlight on Bank-wise demand and recovery performance. It was realized that public and private sector banks are able to recover the loans around 66 percent. Moreover, co-operative banks comparatively recover good percent of loans i.e. 80.40 percent under study period. Conversely, recovery performance variation was high in private sector banks i.e. 25.64 percent followed by co-operative and public sector banks i.e. 13.35 and 11.86 percent respectively. Thus, the recovery performance of agricultural finance by all type banks is somewhat poor. Graphical representation of the bank wise recovery performance was shown in figure 7.

Figure 7: Bank-wise Demand and Recovery
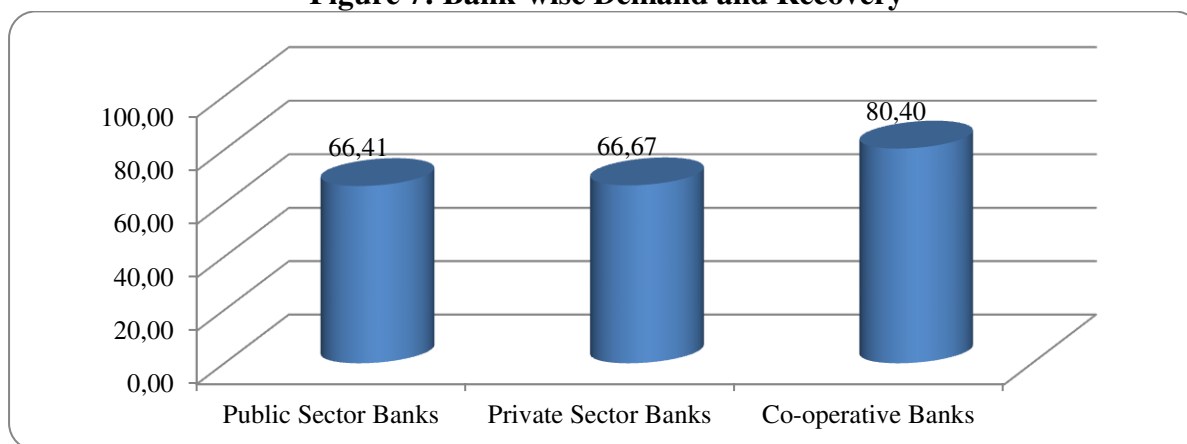
CONCLUSION

Except the three years period (2014-15, 2015-16 and 2015-16) remaining all years financing to agriculture sector against given target were not achieved. In case of demand and collection performance of priority sector advances to agriculture sector, banks have recovered around 76 percent of loan only. Kolhapur district is agriculturally developed region therefore financing to agriculture sector somewhat positive in nature but the trend was declining in recent years. Average lending to agriculture sector was 26.15 percent under study period. Considering the mean value of target achieved by the banks, private sector banks lent more than target i.e. 107. 58 percent followed by co-operative banks and public sector banks i.e. 96.57 and 92.69 percent respectively. High variation in agricultural lending was observed in private sector banks and least variation was found in the public sector banks. Recovery performance was better in co-operative banks than public and private sector banks.

Viate

Dr. Kavita Vadrale is working as Assistant Director/Assistant Professor in Yashwantrao Chavan School of Rural Development, Shivaji University, Kolhapur, Maharrashtra. She has 7 years of teaching experience and 10 years of research experience. She is also currently working research project entitled "An Evaluation of Forrmal and Informal Rural Finance in Western Maharashtra" funded by IMPRESS-ICSSR, New Delhi.

REFERENCES

1) Allen M. Featherstone, C. A. (2007). Factors affecting the agricultural loan decision-making process. Agricultural Finance Review , 67 (1), 13-33.

2) Anwarul Hoda, P. T. (2015). Credit Policy for Agriculture in India - An Evaluation. 1-42. Indian Council for Research on International Economic Relations.

3) Bharti, N. (2018). Agricultural Finance Review. Agricultural Finance Review , 78 (3), 376-392.

4) Gowhar Bashir Ahangar, A. H. (2013). A study on institutional credit to agriculture sector in India. International Journal of Current Research and Academic Review , 1 (4), 72-80.

5) Katchova, A. L. (2005). Factors affecting farm credit use. Agricultural Finance Review , 65 (2), 17-29.

6) Sharon K. Bard, P. J. (2000). Effects of commercial bank structure and other characteristics on agricultural lending. Agricultural Finance Review , 60 (1), 7-31.

7) Travis A. Farley, P. N. (2007). Factors influencing borrowers' preferences for lenders. Agricultural Finance Review , 67 (2), 211-223.

8) Valentina Hartarska, D. N. (2015). Agricultural credit and economic growth in rural areas. Agricultural Finance Review , 75 (3), 302-312.

9) Vighneswara Swamy, D. M. (2016). Analyzing the agricultural value chain financing: approaches and tools in India. Agricultural Finance Review , 76 (2), 211-232.

10) Wilm Fecke, J.-H. F. (2016). Determinants of loan demand in agriculture: empirical evidence from Germany. Agricultural Finance Review , 76 (4), 462-476.