



Growth of Institutional Credit Flow To Agriculture Sector in India

Sarbjee Kaur*

Dr. Jasmindeep Kaur**

Abstract: India is one of the fastest developing agrarian economy in the world. Agriculture is the oldest profession of mankind and still continues the main source of livelihood, employment generation and also a mere primitive way of development of human civilization. So, agriculture is the most important segment of India and its importance cannot be overlooked in the progress of the country. Agriculture provides the employment opportunities for nearly half of the population of India and it has been the largest earner of foreign exchange in India. Credit is also an age-old necessary element in the development of the agriculture sector. But before independence, agriculture sector suffering from insufficient financial facilities and lack of modern inputs. Over the years, improvement in agricultural conditions was one of the top priorities of the Indian government. Thus, recognizing the unique role of credit in agricultural development, RBI and Government of India had created a multiagency approach comprises the cooperative banks, commercial banks and RRBs which ensured the adequate finance available to every person who is engaged in agricultural activities. This paper examines the extent of credit to agriculture sector provided by the cooperative banks, commercial banks and RRBs and finds that the commercial banks has the leading positions in agricultural lending and but the performance of commercial banks regarding the recovery of agricultural loan outstanding is not so good. It also has been found that commercial banks and RRBs given more attention on financing to agriculture sector than the cooperative banks during the study period

Key Words: Agriculture, Government of India, Banks, Agriculture Credit, Financial Institutions

Introduction

Agriculture plays a very important role in the development of the developing economics like India. Agriculture sector has potential to fulfill the larger economic objectives like supply of food, generation of employment, eradication of poverty, modernization of rural society etc. According to the NSSO 70th round survey report, 58 percent of rural population totally survives through agricultural activities. The share of agricultural commodities in the world's export and import was increased from 1.0 percent and 0.5 percent in 1980 to 2.46 percent and 1.46 percent in 2014 respectively. (Economic Survey 2015-16). In spite of this, the contribution of agriculture sector in total GDP of India was declined from 50 percent in 1950-51 to 17.5 percent in 2015, but still it forms the backbone of the Indian economy.



*Research Scholar, Punjabi University, Patiala. (sarbjeetkaur601@gmail.com)

**Professor, Department of Commerce, Punjabi University, Patiala. (bhnoor@yahoo.co.in)

With increasing new technologies and modernization of agricultural infrastructure during post-green revolution period, credit requirements of the farmers continuously rose in India. The production of agriculture highly depends upon the efforts and efficiency of small farmers. More than 70 percent of the Indian farmers included in the category of small, medium and landless farmers and their income from agricultural output could not meet their family expenditure and not capable to purchase the new technological instruments with their own funds. Traditionally, credit needs of the cultivators were mainly met by the non-institutional agencies such as moneylenders, landlords and traders and they charged higher rate of interests for giving loans to farmers. In this context, several initiatives have been taken in rural credit for releasing the farmers from the clutches of moneylenders and these major initiatives were cooperative credit movement started in 1904. Thus, Cooperative Credit Societies Act 1912 was passed for giving the legal recognition to all types of credit societies and non-credit societies for lending to rural cultivators. In 1915, on the recommendations of the Maclagen Committee and Reform Act 1919, structure of the Cooperatives changed into three-tier organizational structure including Primary Agricultural Credit Society, State Cooperative Banks, District Central Cooperative Bank. Royal Commission on Agriculture in 1928, admitted in its report that the participation of the cooperative bank was too good at every level in reducing the burden of debts of the rural masses in India. Thus, cooperatives played a predominant role in the credit supply to agriculture. (Raiker, 2006). Therefore, RBI acts as central bank in 1935. Interestingly, before 1949 RBI was an institution for private shareholders and RBI started the functions as a central banking authority for controlling the public policies of the country after its nationalization under the provisions of Reserve Bank of India (transfer to Public Ownership) Act 1948. Even after the establishment of RBI, banks of India mainly commercial banks were lending only to the urban area and agriculture sector was totally ignored by the commercial banks. RBI set up the Agricultural Credit Department for providing the expert advice in matters of agricultural financial services and Rural Banking Enquiry Committee appointed by the Government of India in November 1949 for setting up of a well-organized and sound banking financial system for cooperative credit societies, commercial banks and for agriculture sector development. Yet, even after that Indian banking industry become failures in the protection of the major part of the farmers from the exploitative practices of the moneylenders.

Establishment of planning commission was one of the most important steps taken by the Government of India in 1950 for properly planned all the economy activities of the country. Other

initiatives under the umbrella of Five year plans were nationalized the commercial banks in 1969, established the RRBs in 1975 and set up the NABARD in 1982. Therefore, Special agricultural credit plan, National food security scheme, RIDF schemes, MNREGA scheme, Rural infrastructure under Bharat Niram scheme etc. have been introduced for increasing the institutional credit flow to rural sector. Various committees like All India Rural Credit Survey committee, Mirdha committee on cooperation, Balwant Raj Mehta committee, Narshiman committee etc. have been appointed by the Government and RBI for suggesting a ways to enhance the availability of credit to agriculture sector. With the successful efforts of Planning commission and Government of India, average growth rate of agriculture sector in GDP of India increased from 2.9 percent to 4.1 percent with the fluctuating trend, during the period of Five Year Plans from 1951-56 to 2007-12. After that in the year 2013-14, it further increased to 4.7 percent.

Review of literature

Gandhi (1999) in his study analysed the role of institutions in overall development of agriculture in the economy of India. He emphasized that financial institutions were the main support of the Government for overcoming the agricultural crisis in India. He further observed that finance is one of the most important source in each and every step of agriculture development which involves agricultural research, purchasing of inputs, production level, agricultural marketing and insurance. The study concludes that institutions may perform a multiple tasks in serving the development needs of the agriculture sector in India. **Sahu and Rajasekhar (2005)** in their study analyzed that the share of financial institutions like commercial banks, cooperative banks and RRBs in total net bank credit and concluded that the share declined during the reforms period. This study observed that the commercial banks did not achieved the targets set for agricultural lending during the reforms because of high interest rates charged by this bank on agricultural loans. The author suggested that it was necessary to properly manage the credit disbursement process with reasonable interest rates for proper growth of agriculture sector. **Sahu (2007)** in his research paper analyzed the extent of institutional credit supply to agriculture sector in major states of India during the period of 1981 to 2000. He found that the growth rate of agricultural credit was lower in the reform period (10.9 percent) as compared to the growth rate in the pre-reform period (15.2 percent). The study found the declining trend in the proportion of agriculture credit in the case of Gujarat, West-Bengal and Bihar in the year 1992-2000. However, lending amount was higher in the developed states like Maharashtra, Rajasthan, kerala and karnataka. He suggested that bankers should change their perception regarding the risk involved in agriculture credit and should also minimize the problems of inter-state disparities regarding agricultural credit deployment in India. **Mehrotra (2011)** in his research paper

analysed the regional imbalances in credit distribution of banking institutions for different categories of farmers. The study found that the importance of commercial banks has increased at a vast level as compared to cooperative banks in agriculture sector because the share of commercial banks in credit flow to agriculture had improved from 43 percent in 1991 to 74 percent in 2011 and RRBs had also achieved the good performance with increase in share from 5 percent to 10 percent. But cooperative bank's share had declined from 51 percent to 16 percent. The study further observed that the share and number of accounts of lower category of farmers in agriculture credit had declined in comparison to large farmers. The study suggested that institutions should provide the equal importance to small and marginal farmers for better productivity in agriculture sector.

Objectives of the study

- 1) To study the progress of agriculture credit flow in India.
- 2) To study the Sub sector-wise Credit to Agriculture and Allied Activities by banks
- 3) To examine the state-wise flow of agriculture credit of banks.
- 4) To examine the recovery performance of banks in agriculture credit.

Methodology

For the purpose of present study, secondary data has been used from the period of 000-01 to 2014-15. Thus, data related to the present study has been collected from Agricultural Statistical at Glance, RBI publications such as handbook statistics on Indian economy, annual reports of NAFSCOB, Basic Statistical Returns of SCBs, Statistical tables relating to banks in India, NABARD, various journals, books and from other relevant websites. For the purpose of analysis various tools such as percentage, ratio analysis, mean, annual growth rate, exponential growth rate and coefficient of variation has been used.

Results and Discussion

Flow of agricultural credit in India

Table 1 presents the performance of commercial banks, cooperative banks and RRBs regarding the credit flow to agriculture sector which increased from Rs.69480 in 2002 to Rs.845328 in 2015. Among all the banking groups in India, RRBs shows the highest growth rate of 26.01 percent in

total agricultural credit and its share continuously increased from 8.74 percent in 2002 to 12.12 percent 2015 as compared to the commercial banks and the share of cooperative banks declined from 34.02 percent to 16.38 percent over the period of study. But maximum amount of agricultural loan issued by the commercial banks that were Rs. 233451 crores than the RRBs (Rs.33709 crores) and cooperative banks (Rs.60087 crores) during the analysis period. This analysis depicting that over the period commercial banks have financed more to agriculture sector as compared to RRBs and cooperative banks.

Table 1**Credit Flow to Agricultural Sector**

(in crores)

Year	Commercial banks (Rs.)	Share of total	Cooperative banks (Rs.)	Share of total	RRBs (Rs.)	Share of total	Total (Rs.)
2002-03	39774	57.25	23636	34.02	6070	8.74	69480
2003-04	52441	60.34	26875	30.93	7581	8.72	86897
2004-05	81481	65.12	31231	24.96	12404	9.91	125116
2005-06	125477	69.67	39404	21.88	15223	8.45	180104
2006-07	166485	72.57	42480	18.52	20435	8.91	229400
2007-08	181088	71.11	48258	18.95	25312	9.94	254658
2008-09	228951	75.89	45966	5.24	26765	8.87	301682
2009-10	285800	74.33	63497	16.51	35217	9.16	384514
2010-11	345877	73.86	78121	16.68	44293	9.46	468291
2011-12	368616	72.13	87963	17.21	54450	10.65	511029

2012-13	432491	71.21	111203	18.31	63681	10.48	607375
2013-14	527506	72.25	119964	16.43	82653	11.32	730123
2014-15	604376	71.5	138469	16.38	102483	12.12	845328
Mean	233450.50		60087.27		33709.40		327247.13
CV	80.29		63.97		89.73		78.08
E.G.R	25.73		15.09		26.01		22.97

Source: Various annual reports of NABARD

Purpose of loan of banks

Table 2 shows the sub sector-wise agriculture credit of banks in India from the year 2002-03 to 2011-12. Table shows that the highest average amount of agriculture loan of banks shown in crop loans (Rs.172583crores) as compared to the term loans (Rs 79149 crores). Also the crop loans shows the highest growth rate (33.63 percent) than the term loans (18.75 percent). On an average, others loans shows the maximum amount of loan (Rs.11366 crores) with negative growth rate (-10.06 percent) and lowest amount of loan shown in fisheries (Rs.1188 crores) with negative growth rate (-24.96 percent). This depicts that banks have financed more for the purpose of crop production.

Table 2

Sub sector-wise Credit Flow to Agriculture and Allied Activities of banks

(in crores)

SUB-SECTOR	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	CV	E.G.R
Crop Loan (I)	45586	54977	76062	10535	138455	181394	210461	276656	335550	396158	172583	72.28	33.63
Term Loans													
Minor Irrigation	1976	2730	4186	8663	8566	2840	3180	5197	4362	1522	4322	55.25	-1.26
Land Development	393	579	840	1749	2285	2553	2887	3669	3615	1216	1979	58.04	21.38

Farm	3600	3986	4555	9695	10113	8303	8334	10211	12800	2084	7368	45.79	4.10
Mechanization													
Plantation & Horticulture	1195	1436	1720	4481	5266	5910	6045	6407	6610	867	3994	56.95	9.77
Animal Husbandry	2637	2928	3097	7341	8045	9034	10398	10260	12774	2798	6931	51.88	11.52
Fisheries	539	1142	1301	1019	1424	1248	1281	1854	1931	143	1188	43.08	-24.96
Hi-tech agriculture	2268	4017	6648	9737	21498	33325	41694	50797	82774	-	2268	90.43	56.58
Others	11366	15186	26900	32451	33748	10051	17628	19463	7875	4553	11366	54.00	-10.06
Total Term Loans (II)	23974	32004	49247	75136	90945	73264	91447	107858	132741	114871	79149	42.80	18.75
Total (I+II)	69560	86981	125309	180486	229400	254658	301908	384514	468291	511029	261214	56.17	25.13

Source: Various annual reports of NABARD

State-wise outstanding agricultural credit

Table 3 presents the agricultural loan outstanding of banks differs state to state at the end of the year 2015. Table shows that the highest amount of outstanding agricultural loan of banks was Rs. 2661571.09 crores was recorded in Maharashtra and it was lowest Rs.1475.98 crores in Sikkim. But, commercial banks (33.78 percent) shows the highest share of outstanding agricultural loan in Madhya Pradesh, cooperative banks highest share (13.09 percent) was recorded in Kerala and RRBs highest share (21.90 percent) shown in Uttar Pradesh. Further, Maharashtra, Madhya Pradesh, Karnataka, Rajasthan, Andhra Pradesh, Punjab, Tamil Nadu, Gujarat, Uttar Pradesh and Haryana are the top 10 states with regard to agricultural loan outstanding of banks in India.

On the other hand, the lowest amount of outstanding agricultural loan of commercial banks was recorded in Sikkim (Rs.80.88 crores), cooperative banks least amount of outstanding agricultural loan

(Rs.1190 crores) in Arunachal Pradesh and RRBs shown the lowest amount of outstanding agricultural loan (Rs.26 crores) in Nagaland. Further, Jammu & Kashmir, Mizoram, Meghalaya, Manipur, Goa, Nagaland, Arunachal Pradesh and Sikkim have the lowest share in agricultural loan outstanding of banks.

Table 3

State-wise agricultural loan outstanding of Banks (2015)

(in crores)

State	Commercial banks (Rs.)	Share of All India	Cooperative banks (Rs.)	Share of All India	RRBs (Rs.)	Share of All India	Total (Rs.)	Share of All India	Ranking
Maharashtra	70842.38	6.88	2555204.00	11.86	35524.71	3.11	2661571.09	12.77	1
Madhya Pradesh	348131.35	33.78	1943541.00	8.15	62668.54	5.49	2354340.90	11.30	2
Karnataka	60348.22	5.86	1623620.00	7.76	157314.65	13.79	1841282.86	8.84	3
Rajasthan	46781.80	4.54	1690260.00	8.93	96524.00	8.46	1833565.80	8.80	4
Andhra Pradesh	68758.70	6.67	1501153.00	6.28	94613.31	8.29	1664525.01	7.99	5
Punjab	53417.36	5.18	1547676.00	6.85	37634.30	3.30	1638727.66	7.86	6
Tamil Nadu	110392.56	10.71	1349112.00	6.95	43240.06	3.79	1502744.62	7.21	7
Gujarat	35654.98	3.46	1371798.00	6.55	27743.68	2.43	1435196.66	6.89	8
Uttar Pradesh	68208.55	6.62	1034535.00	4.24	249850.26	21.90	1352593.81	6.49	9
Haryana	29999.47	2.91	1257510.00	9.04	47414.50	4.16	1334923.97	6.41	10
Orissa	10603.12	1.03	1217945.00	5.14	63222.55	5.54	1291770.67	6.20	11
Kerala	48256.02	4.68	468736.00	13.09	60953.59	5.34	577945.62	2.77	12
West Bengal	21958.56	2.13	306907.00	1.45	20411.96	1.79	349277.52	1.68	13
Chhattisgarh	9567.60	0.93	301589.00	1.35	11156.51	0.98	322313.11	1.55	14
Bihar	19467.53	1.89	106141.00	0.43	87114.86	7.63	212723.39	1.02	15
Uttaranchal	6315.37	0.61	171599.00	0.75	4394.74	0.39	182309.11	0.87	16
Himachal	4223.83	0.41	172795.21	0.71	3230.49	0.28	180249.53	0.68	17

Pradesh									
Tripura	598.20	0.06	47433.00	0.20	2273.52	0.20	50304.72	0.24	18
Assam	5274.94	0.51	6904.00	0.03	14139.68	1.24	26318.62	0.13	19
Jharkhand	4635.73	0.45	4715.00	0.02	13917.77	1.22	23268.51	0.11	20
Jammu & Kashmir	4842.31	0.47	9013.00	0.05	4472.03	0.39	18327.34	0.09	21
Mizoram	191.30	0.02	11539.00	0.05	1919.65	0.17	13649.95	0.07	22
Meghalaya	407.66	0.04	9078.00	0.04	912.93	0.08	10398.59	0.05	23
Manipur	315.62	0.03	6293.00	0.03	244.55	0.02	6853.17	0.03	24.5
Goa	799.51	0.08	5851.00	0.04		0.00	6650.51	0.03	24.5
Nagaland	225.69	0.02	3528.00	0.02	26.00	0.00	3779.69	0.02	26
Arunachal Pradesh	133.22	0.01	1190.00	0.00	181.89	0.02	1505.12	0.01	27.5
Sikkim	80.88	0.01	1395.00	0.01	0.10	0.00	1475.98	0.01	27.5
All India Total	1030432		18667369		1141101		20838902		

Source: - Various Basic Statistical Returns of SCBs in India, RBI Publications
-NAFSCOB

Table 4 present the state-wise agricultural loan outstanding of public sector banks and private sector banks at the end of the year 2015. Table shows that the public sector banks had highest share in the state of Madhya Pradesh (38.14 percent). But, agricultural loan outstanding by private sector banks was highest in Tamil Nadu (17.94percent). Table explores that Madhya Pradesh, Tamil Nadu, Maharashtra, Andhra Pradesh, Uttar Pradesh, Karnataka, Punjab, Kerala, Rajasthan and Gujarat are top 10 states in agricultural loan outstanding by commercial banks.

Further, the least share public sector banks recorded in the state of Arunachal Pradesh (0.01 percent) and Sikkim (0.01 percent). But, the least share of private sector banks (approx. 0.00 percent) recorded both in Arunachal Pradesh and Nagaland. So, Goa, Tripura, Meghalaya, Manipur, Nagaland,

Mizoram, Arunachal Pradesh and Sikkim have the lowest share in agricultural loan outstanding of commercial banks which came under the rank from 21 to 28.

Table 4
State-wise agricultural loan outstanding of Commercial Banks

(in crores)

State	Public Sector Banks (Rs.)	Share of All India	Private Sector Banks (Rs.)	Share of All India	Total (Rs.)	Share of All India	Ranking
Madhya Pradesh	342235.00	38.14	5896.35	4.43	348131.35	33.78	1
Tamil Nadu	86519.36	9.64	23873.20	17.94	110392.56	10.71	2
Maharashtra	56766.01	6.33	14076.36	10.58	70842.38	6.88	3
Andhra Pradesh	61569.07	6.86	7189.63	5.40	68758.70	6.67	4
Uttar Pradesh	64689.05	7.21	3519.50	2.64	68208.55	6.62	5
Karnataka	48684.00	5.43	11664.21	8.77	60348.22	5.86	6
Punjab	39154.04	4.36	14263.31	10.72	53417.36	5.18	7
Kerala	35723.01	3.98	12533.01	9.42	48256.02	4.68	8
Rajasthan	37660.88	4.20	9120.92	6.85	46781.80	4.54	9
Gujarat	26345.95	2.94	9309.03	7.00	35654.98	3.46	10
Haryana	22982.92	2.56	7016.55	5.27	29999.47	2.91	11
West Bengal	18315.42	2.04	3643.15	2.74	21958.56	2.13	12
Bihar	18357.29	2.05	1110.24	0.83	19467.53	1.89	13
Orissa	8972.96	1.00	1630.15	1.23	10603.12	1.03	14
Chhattisgarh	8252.81	0.92	1314.79	0.99	9567.60	0.93	15
Uttaranchal	5182.20	0.58	1133.17	0.85	6315.37	0.61	16
Assam	4843.68	0.54	431.26	0.32	5274.94	0.51	17
Jammu & Kashmir	449.90	0.05	4392.41	3.30	4842.31	0.47	18
Jharkhand	4406.13	0.49	229.60	0.17	4635.73	0.45	19

Himachal Pradesh	3921.48	0.44	302.34	0.23	4223.83	0.41	20
Goa	513.41	0.06	286.10	0.21	799.51	0.08	21
Tripura	546.02	0.06	52.18	0.04	598.20	0.06	22
Meghalaya	397.31	0.04	10.34	0.01	407.66	0.04	23
Manipur	262.97	0.03	52.65	0.04	315.62	0.03	24
Nagaland	222.61	0.02	3.08	0.00	225.69	0.02	25.5
Mizoram	182.29	0.02	9.01	0.01	191.30	0.02	25.5
Arunachal Pradesh	132.73	0.01	0.49	0.00	133.22	0.01	27.5
Sikkim	71.93	0.01	8.95	0.01	80.88	0.01	27.5
All India Total	897360.45		133072.01		1030432.47		

Source: - Various Basic Statistical Returns of SCBs in India, RBI Publications

Table 5 depicts the state-wise agricultural loan outstanding of cooperative banks at the end of the year 2015. Table shows that the DCCBs had the maximum amount of agricultural loan outstanding in Maharashtra of Rs.1973894 crores with 17.93 percent. Further, Madhya Pradesh recorded the highest share of agricultural loan outstanding of StCB (11.8 percent). Table presents that Kerala, Maharashtra, Haryana, Madhya Pradesh, Rajasthan, Tamil Nadu, Punjab, Gujarat, and Andhra Pradesh were the top 10 states in agricultural loan outstanding of cooperative banks

Table also depicts the lowest share of DCCBs shown in Jharkhand with 0.04 percent states and StCBs shows the least share of agricultural loan outstanding in Jammu & Kashmir of Rs.176 crores (approx. 0.00 percent). Therefore, Meghalaya, Assam, Manipur, Goa, Jharkhand, Nagaland, Sikkim and Arunachal Pradesh states have the lowest share in agricultural loan outstanding of banks which came under the rank from 21 to 28.

Table 5
State-wise agricultural loan outstanding of Cooperative Banks
(in crores)

State	State Cooperative Banks (Rs.)	Share of All India	District Central Cooperative Banks (Rs.)	Share of total	Total (Rs.)	Share of All India	Ranking
-------	-------------------------------	--------------------	--	----------------	-------------	--------------------	---------



Kerala	198488	2.59	270248	2.45	468736	13.09	1
Maharashtra	581310	7.59	1973894	17.93	2555204	11.86	2
Haryana	481964	6.29	775546	7.04	1257510	9.04	3
Rajasthan	811796	10.6	878464	7.98	1690260	8.93	4
Madhya Pradesh	856144	11.18	1087397	9.88	1943541	8.15	5
Karnataka	627041	8.19	996579	9.05	1623620	7.76	6
Tamil Nadu	656802	8.58	692310	6.29	1349112	6.95	7
Punjab	791595	10.34	756081	6.87	1547676	6.85	8
Gujarat	440265	5.75	931533	8.46	1371798	6.55	9
Andhra Pradesh	715834	9.35	785319	7.13	1501153	6.28	10
Orissa	558617	7.3	659328	5.99	1217945	5.14	11
Uttar Pradesh	437291	5.71	597244	5.42	1034535	4.24	12
West Bengal	79704	1.04	227203	2.06	306907	1.45	13
Chhattisgarh	131957	1.72	169632	1.54	301589	1.35	14
Uttaranchal	80004	1.04	91595	0.83	171599	0.75	15
Himachal Pradesh	64167	0.84	48937	0.44	113104	0.71	16
Bihar	51081	0.67	55060	0.5	106141	0.43	17
Tripura	47433	0.62	-		47433	0.2	18
Mizoram	11539	0.15	-		11539	0.05	19.5
Jammu & Kashmir	176	0	8837	0.08	9013	0.05	19.5
Meghalaya	9078	0.12	-		9078	0.04	21.5
Goa	5851	0.08	-		5851	0.04	21.5
Assam	6904	0.09	-		6904	0.03	23.5
Manipur	6293	0.08	-		6293	0.03	23.5
Jharkhand		0	4715	0.04	4715	0.02	25.5
Nagaland	3528	0.05	-		3528	0.02	25.5
Sikkim	1395	0.02	-		1395	0.01	27

Arunachal Pradesh	1190	0.02	-		1190	0	28
All India Total	7657447		11009922		18667369		

Source: -NAFSCOB

Table 6 shows that the total outstanding agricultural credit of banks in India continuously increased from Rs. 144841.15 crores in 2003 to Rs. 1107344.59 crores in 2015 with the exponential growth rate of 18.85 percent and coefficient of variation of 62.75 percent. Table presents that the share of commercial bank in total outstanding agricultural credit of banks increased manifold from 44.61 percent to 70.35 percent during 2003 to 2015 and share of RRBs increased with a fluctuating trend from 7.35 percent in 2003 to 11.82 percent in 2014, but after that RRB's share decreased from 11.82 percent in 2014 to 9.50 percent in 2015. Further, the share declined in the case of Cooperative banks from 48.04 percent in 2003 to 20.15 percent in 2015. The least average level recorded in RRBs which was Rs. 47856 crores than the average level of commercial banks of Rs.343018 crores and cooperative banks of Rs.128443.57crores respectively. The highest growth rate of 23.11 percent and coefficient of variation of 69.97 percent recorded by the commercial banks than the regional rural banks and cooperative banks. The results concluded that commercial banks dominated the scene with regard to outstanding agricultural credit over the period of study.

Table 6
Outstanding agricultural credit by Banks

(in crores)

At the End of the Year	Commercial banks (Rs.)	Share of total	Cooperative banks (Rs.)	Share of total	RRBs (Rs.)	Share of total	Total (Rs.)
2003	64616.97	44.61	69581.58	48.04	10642.6	7.35	144841.15
2004	83329.69	48.28	77027.66	44.63	12237.51	7.09	172594.86
2005	107357.6	51.61	84190.13	40.47	16463.32	7.91	208011.05
2006	153146.76	58.41	90244.75	34.42	18820.42	7.18	262211.93

2007	200039.94	61.26	100304.81	30.72	26184.93	8.02	326529.68
2008	241492.11	62.94	110070.25	28.69	32139.74	8.38	383702.1
2009	272608.77	66.06	103611.55	25.11	36437.64	8.83	412657.96
2010	344860.22	69.68	105329.05	21.28	44705.61	9.03	494894.88
2011	406167.99	69.09	128255.6	21.82	53452.93	9.09	587876.52
2012	499712.78	64.10	218368.9	28.01	61481.16	7.89	779562.84
2013	591746.23	70.59	164184.03	19.59	82320.35	9.82	838250.61
2014	715128.63	69.25	195507.82	18.93	122014.73	11.82	1032651.18
2015	779028.91	70.35	223090.34	20.15	105225.34	9.50	1107344.59
Mean	343018.2		128443.57		47855.87		519317.64
CV	69.97		41.82		75.18		62.75
E.G.R	23.11		10.65		22.54		18.85

Source: - Various Basic Statistical Returns of SCBs in India, RBI Publications
-NAFSCOB

Recovery Performance of Banks

Table 7 highlight that In the case of recovery performance as percent of outstanding agricultural loan, RRBs and cooperative banks have shown an increasing trend from 73.49 percent and 58.98 percent in 2003 to 85.61 in 2014 and 79.49 percent in 2015 respectively. But commercial banks declined the recovery performance as a percentage of agricultural loan outstanding from 36.06 percent to 24.44 percent during the same period. On an average, cooperative banks have maximum recovery amount of Rs.104213 crores as compared to commercial banks (Rs.52597 crores) and RRBs (Rs.32709 crores). But highest growth rate was shown in RRBs (21.92 percent) than the cooperative banks (17.19 percent) and commercial banks (15.38 percent).

Table 7

Recovery performance of Banks

(in crores)

Year	Commercial	% of	Cooperative	% of	RRBs	% of
------	------------	------	-------------	------	------	------

	banks (Rs.)	agricultural loan outstanding	banks (Rs.)	agricultural loan outstanding	(Rs.)	agricultural loan outstanding
2003	23302	36.06	41040.99	58.98	7821.25	73.49
2004	28034	33.64	46449.16	60.30	9504.87	77.67
2005	23488	21.88	54301.06	64.50	13145.96	79.85
2006	28717	18.75	58548.11	64.88	15018.7	79.80
2007	26159	13.08	67358.8	67.15	20895.57	79.80
2008	28090	11.63	65861.14	59.84	25981.77	80.84
2009	37314	13.69	70643.21	68.18	28366.7	77.85
2010	38957	11.30	121408.58	115.27	35804.77	80.09
2011	48091	11.84	128102.28	99.88	43393.09	81.18
2012	58500	11.71	186939.76	85.61	50168.63	81.60
2013	73600	12.44	212916.21	85.61	42484.12	51.61
2014	79139	11.07	196982.48	85.61	99930.06	81.90
2015	190375	24.44	-		83643.62	79.49
Mean	52597.38		104212.65		32709.62	
CV	86.40		60.68		77.67	
E.G.R	15.38		17.19		21.92	

Source: -Report on Trend and Progress of Banking in India
-NABARD annual report.

Table 8 presents the recovery performance of public sector banks and private sector banks from the year 2003 to 2015. The table depicts that the recovery amount of public sector banks increased from Rs. 18452 crores in 2003 to Rs. 75678.5 crores in 2015. Similarly, recovery amount of private sector banks also increased from Rs.3686 crores to Rs.9886.8 crores from the year 2003 to 2015. On an average, public sector banks has maximum recovery amount of Rs. 43983 crores than the private sector banks (Rs.5940 crores). The highest growth rate (9.90 percent) and CV=40.84 percent recorded in the case of public sector banks than the growth rate (7.90 percent) and CV=38.20 percent of private sector banks. But, recovery percentage of agricultural loan outstanding of private sector banks declined with highest

percent from 79.70 percent in 2003 to 6.94 percent in 2015 as compared to the public sector banks shows the declining trend from 30.76 percent to 11.89 percent in the same study period.

Table 8

Recovery performance of Commercial Banks

(in crores)

Year	Public Sector Banks	% of agricultural loan outstanding	Private Sector Banks	% of agricultural loan outstanding
2003	18452	30.76	3686	79.70
2004	20685	27.06	6156	89.41
2005	28160	29.00	3274	31.88
2006	44096	31.64	4320	31.37
2007	43193	24.29	3157	14.22
2008	44932	21.87	3773	10.46
2009	51963	22.29	8089	20.49
2010	26946	9.09	6498	13.39
2011	37160	10.81	5417	8.66
2012	47800	11.46	7300	8.85
2013	64800	12.99	6300	6.78
2014	67914.8	11.32	9367.4	8.14
2015	75678.5	11.89	9886.8	6.94
Mean	43983.1		5940.32	
CV	40.84		38.20	
E.G.R	9.90		7.90	

Source: -Report on Trend and Progress of Banking in India

Table 9 explores the recovery performance of cooperative banks from the year 2003 to 2014. The table shows that the highest recovery amount recorded in State Cooperative Banks and it was increased from Rs.9934.33 crores in 2003 to Rs.107294.4 crores in 2014. StCBs also shows the highest growth rate

of 28.76 percent, followed by DCCBs (12.37 percent), SCARDBs (4.84 percent) and PCARDBs (0.67 percent).

The analysis indicate that the highest percentage of agricultural loan outstanding was also shown in the case of StCBs and it increased from 79.55 percent to 161.87 percent during 2003 to 2014 and DCCBs also shows the increasing trend from 61.09 percent to 77.28 percent during the same period. But, percentage of agricultural loan outstanding of SCARDBs and PCARDBs slightly increased from 48.68 percent and 43.80 percent in 2003 to 49.21 percent and 44.57 percent 2014.

On an average, StCBs also had maximum amount of recovery stood at Rs.48272 crores, followed by DCCBs (Rs.40177 crores). SCARDBs (Rs.10275 crores) and PCARDBs (Rs.5489 crores). The study revealed that the coefficient of variation was also highest in StCBs (89.12 percent), followed by SCARDBs (81.57 percent), DCCBs (43.76 percent) and PCARDBs (13.63 percent). The study depicting the StCBs have more recovery of agricultural loan outstanding as compared to the other cooperative banks over the period of study.



Table 9

Recovery performance of Cooperative Banks

(in crores)

Year	State Cooperative Banks	% of agricultural loan outstanding	District Cooperative Banks	% of agricultural loan outstanding	State Cooperative Agricultural and Rural Development Banks	% of agricultural loan outstanding	Primary Cooperative Agricultural and Rural Development Banks	% of agricultural loan outstanding
2003	9934.33	79.55	18908.22	61.09	7464.1	48.68	4734.34	43.80
2004	13756.73	83.34	20440.92	62.01	7206.99	44.43	5044.52	44.50
2005	11797.22	83.47	28505.99	71.23	7605.55	43.70	6392.3	50.60
2006	14589.52	86.57	29630.83	69.16	8199.06	46.38	6128.7	47.62
2007	19257.91	86.00	33534.76	71.08	8239.7	44.24	6326.43	52.25
2008	21244.24	84.59	30470.88	55.61	9184.96	49.94	4961.06	42.15
2009	21792.69	91.78	37786.09	72.17	6630.44	40.73	4433.99	39.48
2010	70231.43	293.55	39942.45	75.74	6892.61	40.54	4342.09	37.22
2011	70214.35	189.12	44822.07	74.00	7408	40.00	5657.86	47.00
2012	87246.76	199.28	57007.21	80.78	36722.21	40.17	5963.58	47.33
2013	131899.1	284.65	67463.35	78.33	7827.49	41.76	5726.31	44.13
2014	107294.4	161.87	73613.31	77.28	9915.17	49.21	6159.57	44.57
2015								
Mean	48271.56		40177.17		10274.69		5489.23	
CV	89.12		43.76		81.57		13.63	
E.G.R	28.76		12.37		4.84		0.67	



Source: -NABARD annual reports

Conclusion

Agriculture sector has always stood as a backbone in the development of the Indian economy. It is the primary source of generating employment in India and a very high proportion of rural population were 58 percent dependent on agriculture sector for their livelihood. Agrarian economy enjoyed a dominant position in India with its contribution in GDP of 17.5 percent in 2014-15. Importance of agriculture in the Indian economy can also be seen in the case of international trade which shows the increasing trend with the passage of time. Financial support is necessary in the advancement of the agricultural sector. But before independence, Indian farmers were greatly exploited by the non-institutional sources with never ending debt burden. In order to solve all these problems of farmers, Government of India and planning commission made their plans from the year 1951 for the improvement and growth of agriculture sector. With all that efforts, Indian agrarian economy reached at a new height and agriculture sector increased its average growth in total GDP from 2.9 percent in first plan period to 4.1 percent in eleventh plan period.

It can be concluded that the advances and outstanding agricultural loan of commercial banks and RRBs increased at a faster rate than that of cooperative banks in India. In the case of state-wise performance, the tendency of outstanding agricultural credit of commercial banks was found to be highest in Madhya Pradesh and public sector banks also have highest share in Madhya Pradesh, but private sector banks was highest in Tamil Nadu. The cooperative banks had highest outstanding agricultural loan in Kerala, but DCCBs have the maximum amount of outstanding agricultural loan in Maharashtra and StCBs on Madhya Pradesh. Further, RRBs contribute its highest amount of outstanding agricultural loan towards Uttar Pradesh. Therefore, recover performance of cooperative banks and RRBs in India improved in agricultural lending, but recovery performance of commercial banks declined during the analysis period. So, it clearly indicates that the commercial banks and RRBs provided a tremendous support in financing to agriculture sector as compared to the cooperative banks over the period of study. But cooperative banks declined their funding for agriculture sector is one of the serious problem. So, Indian government makes sure that these banks should advance to agriculture sector on the priority basis.

References

Rane, A.A. and Deorukhkar, A.C. (2007) "Economics of Agriculture" Atlantic Publishers and Distributors (P) Ltd.



Datta and Sundharam (2012) "Indian Economy" S.Chand & Company Ltd. New Delhi

Nirupam Mehrotra (2011) "Agriculture Credit: The Truth behind the Aggregate Numbers" Economic &

Political Weekly Vol- XLVI No.42: 22-26

Gagan Bihari Sahu and Rajasekhar, D. (2005) "Banking Sector Reform and Credit Flow to Indian Agriculture

"Economic and Political Weekly, Vol. 40, No. 53 pp.5550-5559

Vasant P.Gandhi (1999) "Institutional Framework for Agricultural Development" Indian Journal of

Agricultural Economics 54(3): 48-52

Gagan Bihari Sahu (2007) "Supply Analysis of Institutional Credit to Agriculture for Major States in

India" Indian Journal of Agricultural Economics 62 (4): 664-678

Kaur, Arjinder (2010) "Growth, structure and cost of agriculture credit: a study of Punjab" Ph.D thesis

submitted in Department of Economics, Punjabi University Patiala.

Rani, Swarna (2014) "Bank Financing of Agriculture in Punjab" Ph.D thesis submitted in Department of

Commerce, Punjabi University Patiala.

Silony (2011) "Priority sector lending: a study of commercial banks in Punjab since 1991" Ph.D thesis

submitted in Department of Commerce, Punjabi University Patiala,

Antony, MP (2003) "Institutional financing of agriculture in Kerala" Ph.D thesis submitted in Department

of Economics, Mahatma Gandhi University. ([www.shodhganga, inflibnet.ac.in](http://www.shodhganga.inflibnet.ac.in).)

Annual report, NABARD, 2002-03 to 2014-15

Agricultural Statistics at a glance, 2014, 2015

Reserve Bank of India, Handbook of Statistics on Indian Economy, 2000-01 to 2014-15

Reserve Bank of India, Publications 2002-03 to 2014-15

Government of India, Economic Survey 2014-15 and 2015-16

<http://planningcommission.gov.in>

<https://dbie.rbi.org.in>