

## **Institutional Agriculture Credit Flow: A Case Study of Canara Bank of Agra District**

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### **I. INTRODUCTION**

Agriculture in India is one of the most important sectors of its economy. It is the means of livelihood of almost two thirds of the work force in the country and according to the economic data for the financial year 2006-07, agriculture accounts for 18% of India's GDP. About 43 % of India's geographical area is used for agricultural activity. Though the share of Indian agriculture in the GDP has steadily declined, it is still the single largest contributor to the GDP and plays a vital role in the overall socio-economic development of India. Agricultural credit provides exposure to the extension worker about the structure and functioning of lending institutions which in turn helps him to guide the borrower to choose the cheap lender in acquisition of credit. Besides, he can also advise on the most efficient use of credit, i.e., to maximize the returns to limited capital resources. Thus, the extension advisory service has an important role in the production planning with the farmers on the one hand while on consequential plans for the acquisition and use of limited funds on the other.

Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural credit is being emphasized since the beginning of the planned development era in India. A large number of formal institutional agencies like Co-operatives, Regional Rural Banks (RRBs), Scheduled Commercial Banks (SCBs), Non-Banking Financial Institutions (NBFI), and Self-help Groups (SHGs), etc. are involved in meeting the short and long-term needs of the farmers. Several initiatives have been taken to strengthen the institutional mechanism of rural credit system. The main objective of these initiatives was to improve farmers' access to institutional credit. The major milestones in improving the rural credit are acceptance of Rural Credit Survey Committee Report (1954), nationalization of major commercial banks (1969 & 1980), establishment of RRBs (1975), establishment of National Bank for Agriculture and Rural Development (NABARD) (1982) and the financial sector reforms (1991 onwards), Special Agricultural Credit Plan (1994-95), launching of Kisan Credit Cards (KCCs) (1998-99), Doubling Agricultural Credit Plan within three years (2004), and Agricultural Debt Waiver and Debt Relief Scheme (2008). These initiatives had a positive impact on the flow of agricultural credit. However, the inadequacy of credit to agriculture is often a hotly debated topic in India. The persistence of money lenders in the rural credit market is still a major concern. But, most of the discussions on the issue of agricultural credit are, by and large, swayed by emotions and the empirical validation of the issues is often lacking.

### **II. REVIEW OF LITERATURE**

To study the agriculture finance by commercial bank, the researcher has referred to the important studies which have been already undertaken.

Seena P. C. (2015) this paper describes the management of agricultural credit in India and the impact of various banking sector reforms on agriculture. She concluded that performance of agricultural credit in India reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilization and heavy dependence on borrowed funds. Efforts are required to address and rectify these issues. Banking sector reforms like fixing prudential norms, reduced SLR, CRR, banking diversification all affect the Indian agricultural sector.

Hardeep Kaur (2015), the researcher has to examine the performance and structure of cooperative banks in the state of Haryana. The study is based on the secondary data. The paper covers the period from 2002-03 to 2009-10. Ratio analysis is also done to figure out some more facts about the cooperative banks. As statistical

weapons average, percentage and coefficient of variance have been applied. The co-operative banks suffered losses during the study period.

Siddharth Mishra (2014), the researcher studies that trend of agricultural finance by commercial banks: A case study of Union Bank of India, Bank of Baroda and State Bank of India. This study is based on secondary data. The researcher evaluates that the performance of UBI has not been satisfactory as the agricultural advances. The advances given by BOB and SBI had increased, during the study period.

R. Govindasamy (2013), the researcher found that financial Institutions as 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 in Tamil Nadu. The credit agencies for Tamil Nadu are the aggregation of the exploitable credit potential for all the districts in the State for the years 2007-08 to 2010-11. The amount of credit non-farm sector was increased in over the period in all financial Institutions.

Kannan, E (2011), Researcher has found out that the disbursement of credit through institutional sources had a large impact on improving agricultural productivity. However, it points at its inadequacy and thereby urges for widening its coverage both in terms of the amount of credit and the coverage of a greater number of marginal and small farmers.

Anjani Kumar, K. M. Singh, Shradhajali Sinha, (2010), researchers have examined the performance of agricultural credit flow and has identified the determinants of increased use of institutional credit at the farm household level in India. The structure of credit outlets has witnessed a significant change and commercial banks have emerged as the major source of institutional credit in recent years. But, the declining share of investment credit in the total credit may constrain the sustainable agricultural growth. The quantum of institutional credit availed by the farming households is affected by a number of socio-demographic factors which include education, farm size, family size, caste, gender, occupation of household, etc.

### **Research Gap**

In Agriculture sector need of credit performs very important role. In this regard the study would be conducted but in the knowledge of the researcher no study has been conducted in Agra district towards trend of Agricultural Credit. So, it is most needed to do a case study and to know the fact of Agra about the flow of Credit of Agriculture Sector.

On the basis of previous studies, the researcher has found out that:

- No study could not prove that what the reason behind the gap of disbursement and estimated credit flow.
- No study has been conducted in the district and nobody could analyze the trend of the district.

### **OBJECTIVES OF THE STUDY**

1. To examine the volume and trend of agricultural finance provided by selected bank.
2. To analyze the disbursement of agricultural credit by the commercial banks and know about that bank should achieve target or not.

## **III. RESEARCH METHODOLOGY**

### **Population of the Study**

In context of India, 93 commercial banks are in operation. These 93 commercial banks are regarded as population. But, it is not possible to study these all commercial banks.

### **Sample Size**

One commercial bank has been taken as sample from the whole population i.e. 93 commercial banks. The sample of the study is Canara Bank.

### **Sampling Procedure**

The selection procedure of the sample is not random. The Canara Bank is selected for the study on the basis of convenient sampling method and non-probability sampling method.

### **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.

### **Period of the Study**

The researcher has undertaken the study for four years i.e. 2013-14 to 2016-17.

### **Tools and Techniques**

The following tools and techniques were employed to analyze the data with reference to fulfill the objectives of this study. Trend analysis, Ratio analysis and Chi – square test.

**HYPOTHESIS OF THE STUDY**

For the present study the researcher has formulated Null hypothesis. Hypothesis will be tested with the help of statistical tools. The statement of hypothesis is as under:

Ho<sup>1</sup>: There is no significant difference between the actual ratio and expected ratio of Agriculture Finance of selected bank during the study period.

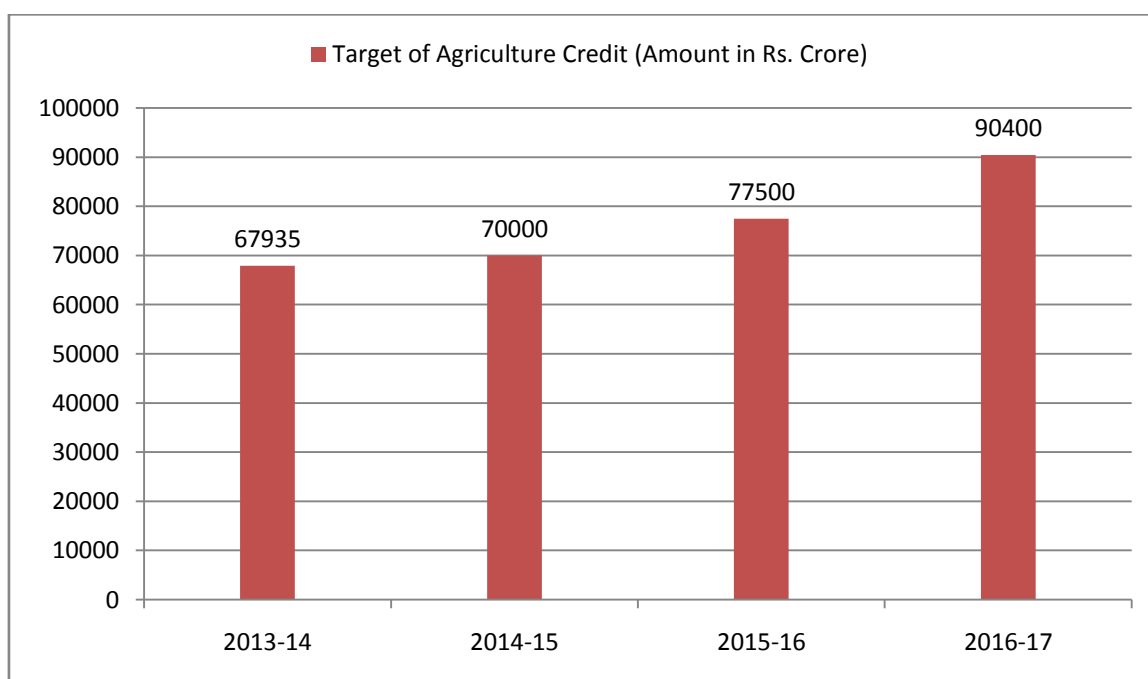
**IV. RESULT AND DISCUSSION**

**Table 1 Calculation of Percentage Analysis for Target of Agriculture Credit**

(Amount in Rs. Crore)

Year	Target	Target in Percentage	Variation (%)
2013-14	67935	100 %	-
2014-15	70000	103.03 %	3.03 %
2015-16	77500	114.07 %	14.07 %
2016-17	90400	133.06 %	33.06 %

(Source: Lead Bank, Agra District)



**Figure 1: Target of Agricultural Credit Flow of Canara Bank**

The above table 1 and figure 1 represents the trend percentages of target of agriculture credit by Canara Bank for the period 2013-14 to 2016-17. Here, for the calculation of trend percentage, the initial year 2013-14 has been considered as base year. In case of target of agriculture finance 100% in the base year (2013-14), that is increased to 133.06 % in the year 2016-17. It shows that increased 33.06 % during the study period. It indicated that bank should try to provide more finance to agriculture sector.

**Table 2 Calculation of Percentage Analysis for disbursement of Agricultural Credit**

(Amount in Rs. Crore)

Year	Disbursement of Agricultural Credit	Disbursement in percentage	Variation (%)
2013-14	68250	100 %	-
2014-15	70700	103.58 %	03.58 %
2015-16	75330	110.37 %	10.37 %
2016-17	92208	135.10 %	35.10 %

(Source: Lead Bank, Agra District)

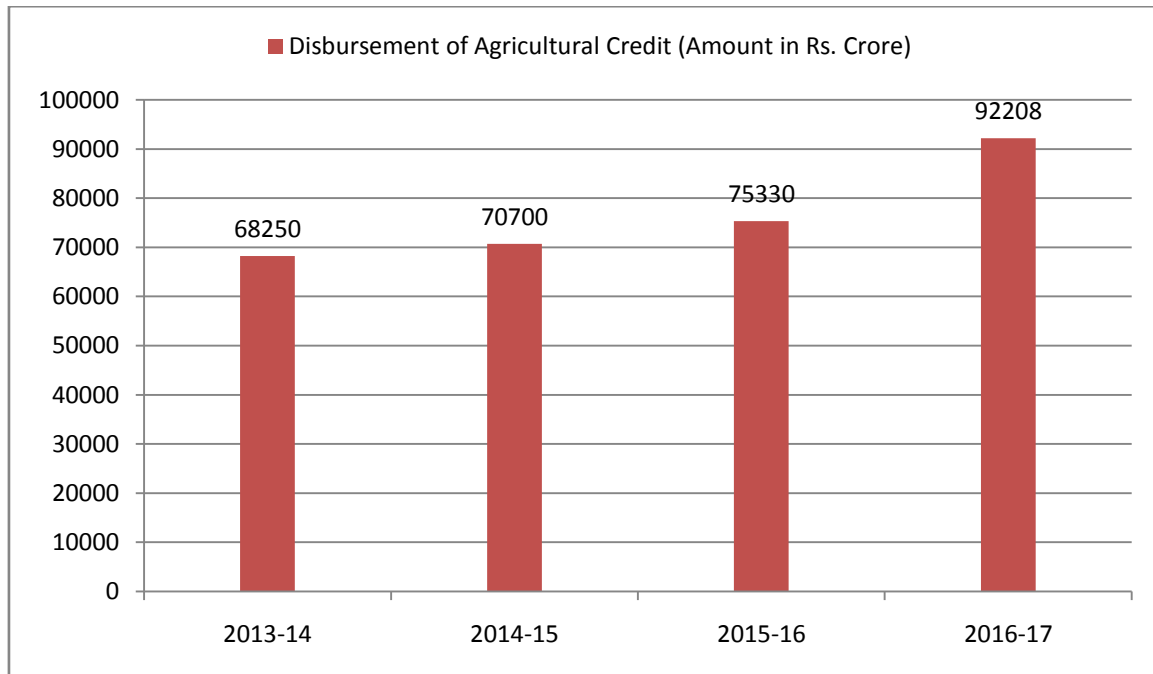


Figure 2: Disbursement of Agricultural Credit Flow of Canara Bank

The above table 2 and figure 2 shows the trend percentages of disbursement of Agricultural Credit by Canara Bank for the period 2013-14 to 2016-17. Here, for the preparation of trend percentage statement, the initial year 2013-14 has been taken as base year. The Agricultural credit disbursement by bank was increased year by year during the study period. It was increased to 103.58 % in the year 2014-15. In the year 2015-16 it was increased by 10.37 % as compared to base year. During the study period it was increased by 135.10 %.

Table 3 Calculation of various ratios (%)

Year	Total Disbursement of Agricultural Credit	Total Target of Agricultural Credit
2013-14	-	-
2014-15	03.58 %	3.03 %
2015-16	10.37 %	14.07 %
2016-17	35.10 %	33.06 %
Average	16.35 %	16.72 %

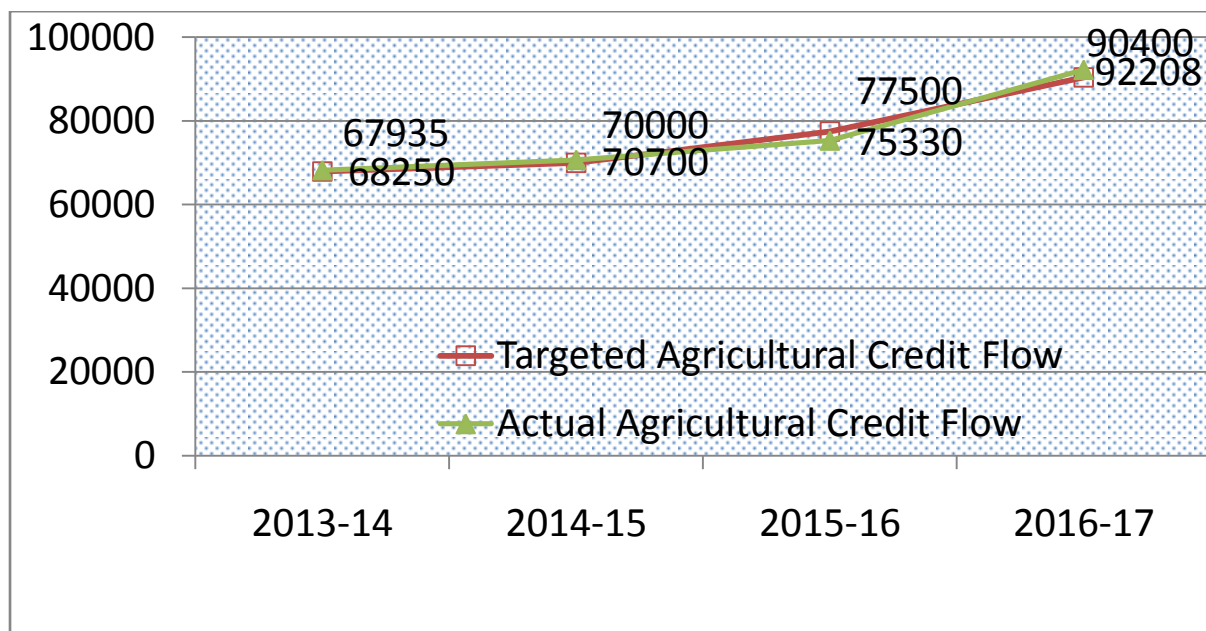


Figure 3: Trend of Agricultural Credit Flow of Canara Bank Analysis

The above table 3 and figure 3 shows the trend of Agricultural credit flow in Agra District by Canara Bank. Here we can see that the flow of Credit is increasing continuously but in year 2015-16 the bank could not achieve its target because it had decided to disburse Rs. 77500 crore but in actual it could achieve Rs. 75330 crore. In the rest period the bank has been fulfilled its target.

**Table 4 Hypothesis Testing**

Ratios	x <sup>2</sup> Calculated Value	X <sup>2</sup> Table value	Result (Ho Accept/Reject)
Total target of Agricultural Credit to total disbursement of Agricultural Credit	2.0958	5.99	Accept

**Note: Degree of freedom 2 at 5 % level of significance.**

### V. Conclusion and Findings

Total target of agriculture finance; here calculated value of X<sup>2</sup> test is 2.0958. The table (Table 4) value of X<sup>2</sup> at 5 % level of significance and where degree of freedom at 2 is 5.99. Hence, the calculated value is less than table value. So the null hypothesis (Ho<sup>1</sup>) is accepted. There is no significant difference between the actual ratio and expected ratio of agricultural Credit of Canara Bank during the study period. It means the result is as per expectation. The study reveals that the bank credit in India to agriculture sector has been increased in its quantum during the study period. The credit provided by the bank has increased its target of Agricultural Credit. But an effort has to be taken by bank to reduce its outstanding, so that the recovered bank credit should be pumped in to agriculture sector further for its growth. Researcher has found that agricultural credit by Canara Bank has been reached target i.e. 18 % of their total priority sector lending out of 40% except 2011-12, 2012-13 years. Researcher found that there is no significant difference between the actual ratio and expected ratio of agricultural credit flow of Canara Bank during the study period.

### LIMITATIONS OF THE STUDY

1. This study is mainly based on secondary data, data taken from the published annual reports, website etc.
2. The statistical techniques have their own limitations. They also apply to this study.
3. The researcher has covered only one commercial bank for the study so it may not generalize to whole population.
4. The researcher is confined to the agricultural finance only.
5. Personal view differs from one person to other.

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