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### PUBLIC SECTOR BANKS AND AGRICULTURE CREDIT IN SOLAPUR DISTRICT

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#### ABSTRACT

**A**griculture is the mainstay of the Indian economy, as it constitutes the backbone of the rural livelihood and country's 1.21 billion population's food security. Since country's independence in 1947 the Government of India has initiated policies and programs



for agricultural development and to increase farm output.

**KEYWORDS** : Information Technology, IT, Knowledge Management, Organization

#### 1. INTRODUCTION

In the past agriculture has played and will continue to play

a dominant role in the growth of Indian economy in the foreseeable future. It represents the largest sector producing around 28 percent of the GDP, is the largest employer providing more than 60 percent of the jobs and is the prime arbiter of living standards for seventy percent of India's population living in the rural areas.

#### 2. INDIAN AGRICULTURE:

India accounts for only about 2.4 % of the world's geographical area and 4 % of its water resources, but has to support about 17 % of the world's human population and 15 % of the livestock. Agriculture is an important sector of the Indian economy, accounting for 14% of the nation's GDP, about 11% of its exports, about half of the population still relies on agriculture as its principal source of income and it is a source of raw material for a large number of industries. Accelerating the growth of agriculture production is therefore necessary not only to achieve an overall GDP target of 8 per cent during the 12th Plan and meet the rising demand for food, but also to increase incomes of those dependent on agriculture to ensure inclusiveness. (State of Indian Agriculture 2013)

### 3. BACKGROUND OF THE SUBJECT-

One of the major factors impeding the growth of agriculture and activities allied to agriculture in India was the inadequacy of institutional finance for long-term investment, namely for development of irrigation, land reclamation and development, farm mechanization, horticulture and plantation, processing, storage facilities including cold storage, etc. The All India Rural Credit Survey Committee in its report in 1954 had, therefore, recommended to the Government of India to make arrangements of a permanent nature for providing adequate term credit for agricultural development. The Third Five Year Plan [1961-66] document emphasized the urgent need for stepping up agricultural production in the country and the establishment of a national level institution to provide funds by way of refinance to cooperative credit institutions including State Bank of India for investment purposes. It was against this background that by an Act of Parliament, the Government established Agricultural Refinance Corporation [ARC] and it commenced its operations from 1 July 1963.

### 4. IMPORTANCE OF AGRICULTURAL CREDIT-

The credit is a catalytic agent that lubricates the process to accelerate the farm and nonfarm sector development including rural industrialization, business and service segments of economy. The credit helps rural households to invest in assets and make use of assets to generate output and income through deploying science, technology and modern methods of business management. Credit, however, alone cannot do miracle, as it has to be simultaneously adequately supported by backward and forward linkages, such as inputs of production (seeds, fertilizers, pesticides, water, labour), technology, technical know how and services, storage, processing and marketing etc. Under this enabling environment the effectiveness of credit enhances the productivity of land, water and labour and post-harvest services fetch better prices of the farm produce, which improves the return on investment, net farm income and enables him to repay borrowed credit with interest. Particularly for small farmers the credit has a significant role to facilitate them to purchase inputs of production, create irrigation facilities and avail storage, transport and marketing services, which can ultimately enhance productivity, production and profitability of farming enterprise.

The Green Revolution could succeed because the credit was used to purchase high yielding seeds, fertilizers, water, farm machinery and supported by yield-enhancing technology, which were prerequisites. The factors, which constrain the capacity of the rural poor households to borrow from banks are lack of knowledge about credit and technical skill, unawareness of economic opportunities and markets, what they are capable of producing and their ability to comply with lending procedure. The overall education of the borrower accompanied by financial literacy and credit counselling helps him to use credit for productive purpose, increase output and income and ultimately to repay the credit with interest. The World Bank (1975) in its sector policy paper said "credit is often a key element in the modernization of agriculture.

### 5. OBJECTIVES OF THE STUDY-

1. To study the Agriculture Sector Advances Analysis of Solapur District from 2007-2011.
2. To find out top ten banks in Agriculture Sector Advances Analysis of Solapur District from 2007-2011.

### 6. HYPOTHESIS OF THE STUDY:

Financial institutions are shown significant performance in Agriculture Sector Advance during the study period.

## 7. METHODOLOGY AND DATA BASE:

The present paper is based on secondary data .The quantitative research method of has been used to complete this paper.The data has been collected from the banks working in the Solapur district. It includes nationalized banks,Solapur district central co-op bank, private banks, foreign banks, gramin banks etc.The period of the data used in the paper is 2007 to 2011.

## 8.AGRICULTURAL ADVANCES

The agriculture sector needs adequate finance through banks to accelerate the overall growth. National Bank for Agriculture and Rural Development (NABARD) for refinancing Regional Rural Banks (RRBs) are directed to distribute short-term crop loans to small and marginal farmers. The banks provide direct and indirect finance to the agriculture.

### The following are examples of the direct finance for agricultural sector

- + Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers] engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture.
- + Loans to small and marginal farmers for purchase of land for agricultural purposes.
- + Loans to distressed farmers indebted to non-institutional lenders.
- + Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi Purpose Societies (LAMPS) ceded to or managed/ controlled by such banks for on lending to farmers for agricultural and allied activities.

### The following are examples of the indirect finance for agricultural sector

- + Loans to corporates, partnership firms and institutions engaged in Agriculture and Allied Activities (dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture).
- + Loans up to `5 crore to Producer Companies set up exclusively by only small and marginal farmers under Part IXA of Companies Act, 1956 for agricultural and allied activities.
- + Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi Purpose Societies (LAMPS).

**Table No. 1: Agriculture Sector Advances Analysis of Solapur District from 2007-2012 (Rs in '000')**

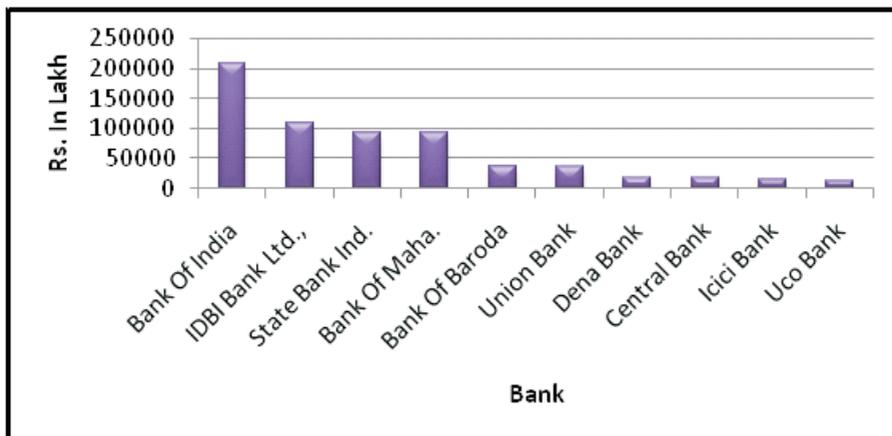
| Sr. No. | Bank                | 2007    | 2008    | 2009    | 2010    | 2011    | 2011(%) |
|---------|---------------------|---------|---------|---------|---------|---------|---------|
| 1       | Allahabad Bank      | 966     | 1098    | 2741    | 7615    | 10039   | 0.03    |
| 2       | Andhra Bank         | 0       | 1070    | 0       | 141     | 139     | 0.00    |
| 3       | Bank Of India       | 2645900 | 3323570 | 4219243 | 4701389 | 5993400 | 20.59   |
| 4       | Bank Of Baroda      | 366014  | 466285  | 672966  | 933079  | 1363897 | 4.69    |
| 5       | Bank Of Maharashtra | 1408229 | 1769400 | 1943494 | 1972789 | 2208251 | 7.59    |
| 6       | Central Bank        | 631372  | 354493  | 378971  | 460023  | 57670   | 0.20    |
| 7       | Canara Bank         | 15136   | 36633   | 49264   | 88650   | 98534   | 0.34    |
| 8       | Corporation         | 22887   | 47111   | 82813   | 82675   | 91570   | 0.31    |
| 9       | Dena Bank           | 166481  | 321716  | 350000  | 530822  | 514676  | 1.77    |
| 10      | Indian Bank         | 8495    | 13143   | 28815   | 102725  | 58486   | 0.20    |
| 11      | Indian Overseas     | 5350    | 14000   | 52574   | 180379  | 31770   | 0.11    |
| 12      | Karnataka Bank      | 110     | 110     | 111     | 1548    | 20421   | 0.07    |

|    |                        |                 |                 |                 |                 |                 |               |
|----|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| 13 | Punjab National        | 74              | 6068            | 30336           | 142726          | 176095          | 0.61          |
| 14 | Ratnakar Bank          | 4389            | 7273            | 12805           | 18225           | 28013           | 0.10          |
| 15 | State Bank Ind.        | 1406889         | 1647533         | 2011320         | 2094060         | 2302727         | 7.91          |
| 16 | State Bank Hyderabad   | 1993            | 5967            | 6452            | 5126            | 39517           | 0.14          |
| 17 | State Bank Mysore      | 81              | 65              | 34              | 0               | 0               | 0.00          |
| 18 | Syndicate Bank         | 54895           | 73942           | 98463           | 157427          | 181114          | 0.62          |
| 19 | Sangli Bank Ltd.       | 66842           | -               | -               | -               | -               | 0.00          |
| 20 | Union Bank             | 383735          | 522114          | 593720          | 1094690         | 1053205         | 3.62          |
| 21 | United B. O. I.        | 1097            | 3022            | 16              | 0               | 0               | 0.00          |
| 22 | Uco Bank               | 19249           | 158646          | 289349          | 355629          | 447468          | 1.54          |
| 23 | IDBI Bank Ltd.         | 566902          | 645969          | 2054768         | 3736211         | 4037409         | 13.87         |
| 24 | Vijaya Bank            | 16535           | 27255           | 68326           | 46541           | 55571           | 0.19          |
| 25 | Ing Vysya              | 1962            | 1949            | 1551            | 1442            | 1531            | 0.01          |
| 26 | ICICI Bank             | 180500          | 356800          | 256188          | 407167          | 264343          | 0.91          |
| 27 | UTI Bank Ltd.          | 3184            | -               | -               | -               | -               | 0.00          |
| 28 | HDFC Bank Ltd.         | 138172          | 119796          | 115996          | 114895          | 379142          | 1.30          |
| 29 | Axis Bank Ltd          |                 | 2554            | 1700            | 800             | 17937           | 0.06          |
| 30 | Federal Bank Ltd       |                 | 0               | 2901            | 24883           | 31334           | 0.11          |
| 31 | Oriental Bank          |                 |                 |                 | 0               | 2885            | 0.01          |
| 32 | Karur Vysya            |                 |                 |                 | 0               | 8582            | 0.03          |
|    | Total Commercial Banks | 8117439         | 9927582         | 13324917        | 17261657        | 19475726        | 66.91         |
| 33 | Solapur Gramin         | 513907          | 583643          |                 |                 |                 | 0.00          |
|    | W. K. Gramin           |                 |                 | 447428          | 525139          | 1126146         | 3.87          |
| 34 | Solapur DCC            | 6556036         | 10876862        | 9841359         | 8570583         | 8503983         | 29.22         |
|    | <b>Grand Total</b>     | <b>15187382</b> | <b>21388087</b> | <b>23613704</b> | <b>26357379</b> | <b>29105855</b> | <b>100.00</b> |

Source: Computed on the basis of Bank Annual Reports and District Collectorate Office Reports

Solapur DCC BANK had highest of advances to Agriculture from 2007 to 2011. Punjab National Bank, State Bank of Mysore and United B. O. I Bank had the lowest number of Advances to Agriculture in 2007, 2008 and 2009 respectively. While Andhra Bank had the lowest number of Advances to Agriculture in 2010 and 2011.

**Graph No. 1: Top 10 Bank Analysis of Agriculture Sector Advances in Solapur District 2007-2011**



Graph No.1 shows that Bank of India topped in total number of agricultural advances with

208835 lakhs 2007-2011. IDBI Bank stood second in topped total number of agricultural advances with 110412 lakhs from 2007-2011. State Bank of India ranked third total number of agricultural advances with 94625 lakhs from 2007-2011. Bank of Maharashtra ranked fourth total number of agricultural advances with 93021 lakhs from 2007-2011. Bank of Baroda stood fifth total number of agricultural advances with 38022 lakhs from 2007-2011. While Union Bank, Dena Bank, Central Bank and ICICI Bank ranked sixth, seventh, eighth and ninth total number of agricultural advances respectively.

### 9. TESTING OF HYPOTHESIS

Financial institutions are shown significant performance in Agriculture Sector Advance during the study period.

$$H_0 : b = 0$$

$$H_1 : b \neq 0 \text{ (two way)}$$

$H_0$  = Financial institutions are not shown significant performance in Agriculture Sector Advance.

$H_1$  = Financial institutions are shown significant performance in Agriculture Sector Advance.

**Table No.2 Regression Analysis of Agriculture Sector Advances in Solapur District from 2007-2011**

| Sr. No. | Bank                   | a           | b           | SE (b)      | t statistic | r     | r square | F sig. |
|---------|------------------------|-------------|-------------|-------------|-------------|-------|----------|--------|
| 1       | Solapur Dcc            | 8392880.100 | 158961.500  | 1943024.558 | 4.319       | .155a | 0.024    | 0.023  |
| 2       | Bank Of India          | 1754854.700 | 807281.900  | 219704.902  | 7.987       | 0.990 | 0.980    | 0.004  |
| 3       | IDBI Bank Ltd.,        | -801125.000 | 1003125.600 | 533478.410  | -1.502      | 0.964 | 0.928    | 0.230  |
| 4       | State BankInd.         | 1221044.900 | 223820.300  | 81019.889   | 15.071      | 0.983 | 0.965    | 0.001  |
| 5       | Bank Of Maha.          | 1319402.700 | 180343.300  | 101394.682  | 13.013      | 0.959 | 0.921    | 0.001  |
| 6       | Bank Of Baroda         | 21680.200   | 246256.000  | 116939.653  | 0.185       | 0.971 | 0.942    | 0.865  |
| 7       | Union Bank             | 156038.000  | 191151.600  | 140396.711  | 1.111       | 0.934 | 0.872    | 0.347  |
| 8       | Dena Bank              | 105090.200  | 90549.600   | 56567.067   | 1.858       | 0.951 | 0.904    | 0.160  |
| 9       | Uco Bank               | -61958.100  | 105342.100  | 28650.508   | -2.163      | 0.990 | 0.980    | 0.119  |
| 10      | Hdfc Bank Ltd.,        | 30488.500   | 47703.900   | 105587.160  | 0.289       | 0.654 | 0.428    | 0.792  |
| 11      | Icici Bank             | 227583.700  | 21805.300   | 99834.317   | 2.280       | 0.386 | 0.149    | 0.107  |
| 12      | Total Commercial Banks | 4606269.500 | 3005064.900 | 675982.502  | 6.814       | 0.993 | 0.986    | 0.006  |
| 13      | Grand Total            | 1.329E7     | 3280623.800 | 1334270.502 | 9.959       | 0.978 | 0.957    | 0.002  |

Table 2 explains the regression analysis of agriculture sector advance given by the top performing bank during the study period. The tabular value of 't' at 5% level of significance for 3 degree of freedom is estimated at (df) = 1.73. For testing the test statistic (t ratio) the computed 't' values of Solapur DCC, Bank of India, SBI, Bank of Maharashtra, and ICICI Bank have noticed at the greater side than the table value among the Banks with a (t-statistic) registered value between 2.28 and 15.07. Moreover, the F significance of these banks is also notice a highly significant level which is close to 0.000. But on the other hand most of the banks have noticed the situation against the alternative

hypothesis.

#### **10. FINDINGS:**

Solapur DCC BANK had highest of advances to Agriculture from 2007 to 2011. Punjab National Bank, State Bank Of Mysore and United B. O. I Bank had the lowest number of Advances to Agriculture in 2007, 2008 and 2009 respectively. While Andhra Bank had the lowest number of Advances to Agriculture in 2010 and 2011.

#### **11. CONCLUSION-**

Agriculture is a dominant sector of our economy and credit plays an important role in increasing agriculture production. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Experience has shown that easy access to financial services at affordable cost positively affects the productivity, asset formation, and income and food security of the rural poor. The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit.

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