



ANALYSIS OF AGRICULTURE CREDIT IN SOLAPUR DISTRICT

Dr.S.V.Shinde

D. A. V. Velankar College Of Commerce, Solapur

1. INTRODUCTION:

Agriculture 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.

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



INTERNATIONAL RESEARCH JOURNAL OF INDIA

backward and forward linkages, such as inputs of production (seeds, fertilizers, pesticides, water, labour), technology, technical knowhow 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 and 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 indirect finance for agricultural sector



INTERNATIONAL RESEARCH JOURNAL OF INDIA

- Loans to corporate, partnership firms and institutions engaged in Agriculture and Allied Activities (dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture).
- 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
	Grand Total	15187382	21388087	23613704	26357379	29105855	100.00

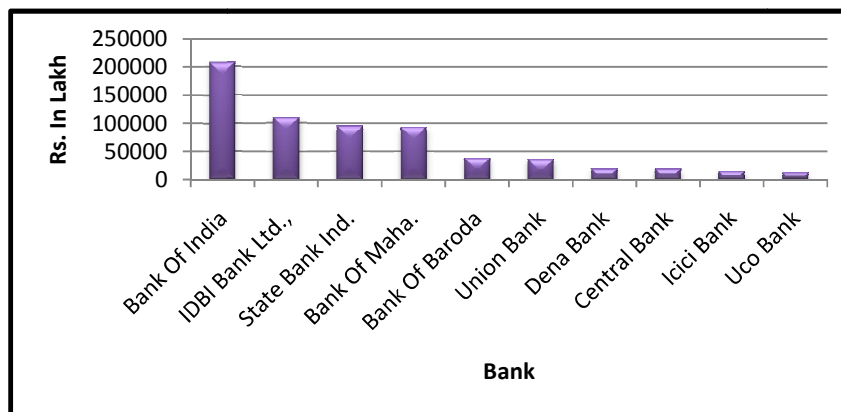
Source: Computed on the basis of Bank Annual Reports and District Collectorate Office Reports

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.



INTERNATIONAL RESEARCH JOURNAL OF INDIA

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



INTERNATIONAL RESEARCH JOURNAL OF INDIA

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. Accessibility and right of entry 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 reasonable cost absolutely affects the productivity, asset formation, and income and food security of the rural poor. The Government of India has started several policy measures to improve the accessibility of farmers to the official sources of credit.

12. REFERENCES:

1. *Bank Annual Reports and District Collectorate Office Reports*
2. *RBI bulletin of various months*
3. *Ministry of Agriculture and co-operation*
4. *Bank Credit to Agriculture in India Policy, Performance and Issues [Need for Focused Attention in Twelfth Plan]2012, MANAN PRAKASHAN*