



Agricultural Financing by District Co-operative Banks in Haryana

PREM SINGH

Assistant Professor,
Sri Aurobindo College (Day), University of Delhi.
Delhi (India)

Abstract:

Agricultural finance has played a very important role in supporting farm production in India. Though the out - reach and amount of agricultural financing have increased over the years, a number of weaknesses have sneak in which have affected the feasibility and sustainability of these institutions. Following the shifts in consumption and dietetic patterns from cereals to non-cereal products, a silent change is taking place in rural areas calling for diversification in agricultural production and value addition processes in order to guard employment and incomes of the countryside population. Money lenders were the only foundation of credit to agriculture till 1935. They use to charge very high rates of interest and follow non - formal practices while giving loans and recovering them. As a result, farmers were deeply burdened with debts and many of them perpetuated debts. With the passing of Reserve Bank of India Act 1934, District Central Co-operative Banks Act and Land Development Banks Act, agricultural finance received momentum and there were improvements in agricultural financing. Thereafter, banks credit to agriculture made unique progress by opening branches in rural areas and attracting deposits. Till 14 major commercial banks were nationalized in 1969, Co-operative Banks were the major institutional agencies providing finance to agriculture.

Keywords: *Agricultural financing, Bank, Co-operative credit society*

1. Introduction

With the passing of Co-operative Credit Society Act'1904, the great efforts have been done by the officials to eliminate the peculiar problems of farmers and common public. Since last few years the speed of Co-operative Credit Institution has drastically changed due to the competition from commercial banks, undue intrusion of political parties and failure of many Co-operative Banks. In 2012-13 agriculture contributed 13.70% of GDP, although the share has progressively come down from 55% in 1950-51. Food processing and other leader industries in India include cotton, jute, textiles and sugar totally reliant on agriculture. Hence, Co-operative Banks in India have been assigned the distinct role viz. to serve up the rural poor masses by advancing timely and easy credit and to mobilize small servings. Currently out of 372 total District Central Co-operative Banks (DCCBs) in India and 19 DCCBs are working under 4 divisions in Haryana with more than 200 branches. The Haryana state came into existence (separated from Punjab) 17th state of India on 01st November, 1966 under proper administration; it was divided into four divisions: Ambala, Rohtak, Hissar and Gurgaon.

2. Objectives of Research Study

The specific objectives of the present study are;

1. To evaluate the role of Central Co-operative Banks in Haryana in agriculture financing and to critically examine the theoretical framework of agriculture financing.

- Analyse borrowing and lending capacity of banks and to examine the efficiency of bank's profit earning.
- To evaluate the role of Central Co-operative Banks in Haryana and make suggestions for the better performance of banks.

3. Research Methodology

The study has been carried out to examine the role of central Co-Operative Banks of Haryana in agriculture financing for the selected years (1995-96 to 2011-12). The present study is based on primary and secondary statistics which is utilized for evaluating the performance and power of banks. The information and data has been collected through formal and discussion with the officers and employees of the banks and the secondary data has been collected from statistical abstract of Haryana 2012-13 and websites of banks.

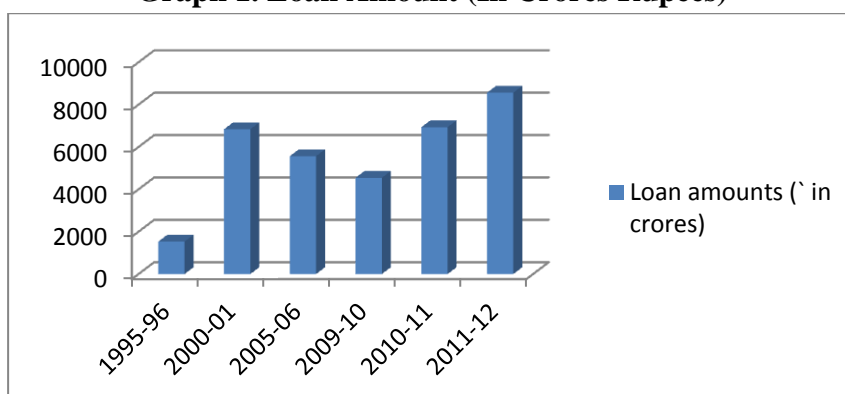
4. Data Analysis and Interpretation

Table 1. Year wise detail of Loans Advanced by Central Co-operative Banks of Haryana

Year	Loan amounts (In Crore Rupees)
1995-96	1531.52
2000-01	6836.29
2005-06	5564.50
2009-10	4544.19
2010-11	6932.65
2011-12	8563.30

(Source - Statistical abstract of Haryana 2011-12)

Graph 1. Loan Amount (In Crores Rupees)



4.1 Interpretation 1

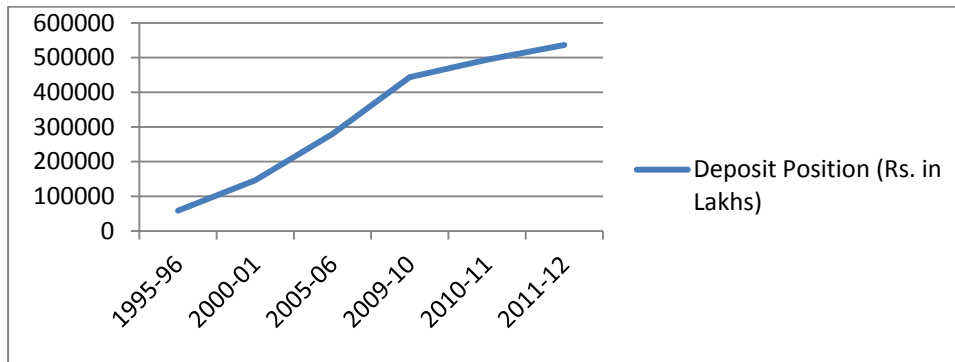
The above table reveals that the amount of loans provided by the banks is increasing every year. The performance of the bank's loan is notable. The table also highlights that the amount of loan has increased five times in consequent years. Thus, it may be concluded that banks has been following moderate loan advance policies for agriculture sector.

Table 2. Year wise detail of Deposits of Central Co-operative Banks of Haryana

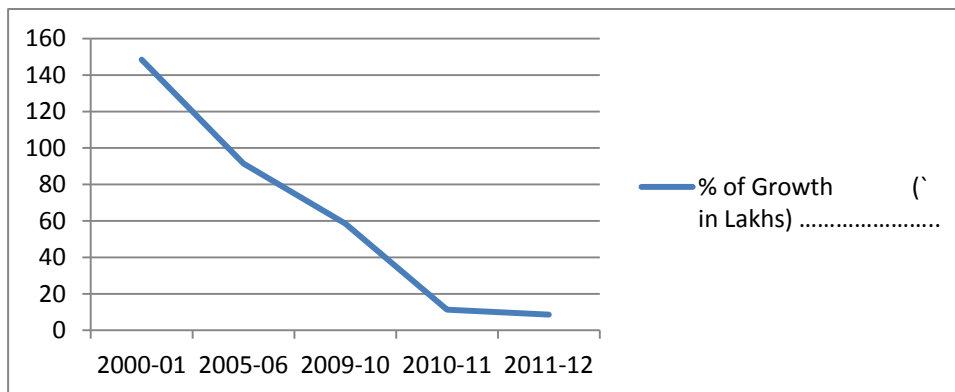
Year	Deposit Position (Rupees in Lakhs)	Net Increase	% of Growth (In Lakhs)
1995-96	58837.85
2000-01	146173.39	87335.54	148.43
2005-06	279840.00	133666.61	91.44
2009-10	443799.79	163959.79	58.59
2010-11	494019.00	50219.21	11.31
2011-12	536461.00	42442	8.59

(Source - Statistical abstract of Haryana 2011-12)

Graph 2. Deposit Position (Rupees in Lakhs)



Graph 3. % of Growth



4.2 Interpretation 2

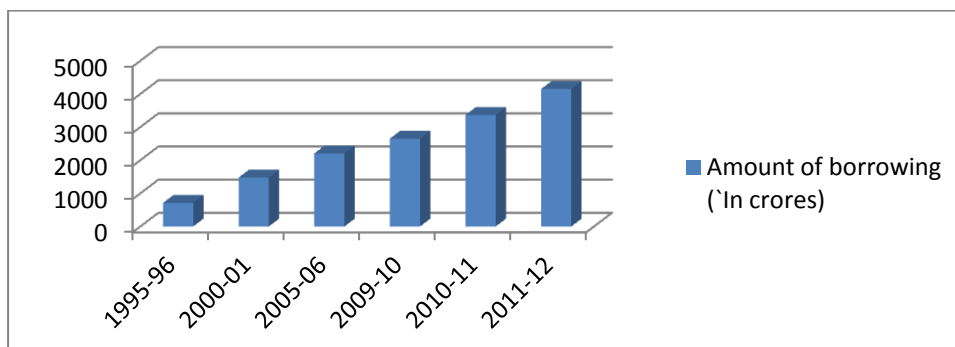
The above table highlights the position of the banks deposit. The deposit positions of banks were growing and it is also clear that the deposits of banks which were Rs. 58837.85 Lakhs as on 1995-96 has increased to Rs. 5,36,461.00 Lakhs on 2011-12. Its shows whopping increase in deposits which has increased more than 9 times but percentage of growth has decreased over the period of time.

Table 3. Detail of Borrowing of Banks in Haryana

Year	Amount of Borrowing (In Crores Rupees)
1995-96	711.74
2000-01	1477.97
2005-06	2202.83
2009-10	2651.16
2010-11	3363.27
2011-12	4147.45

(Source: Statistical abstract of Haryana 2011-12)

Graph 4. Amount of Borrowing (In Crore Rupees)



4.3 Interpretation 3

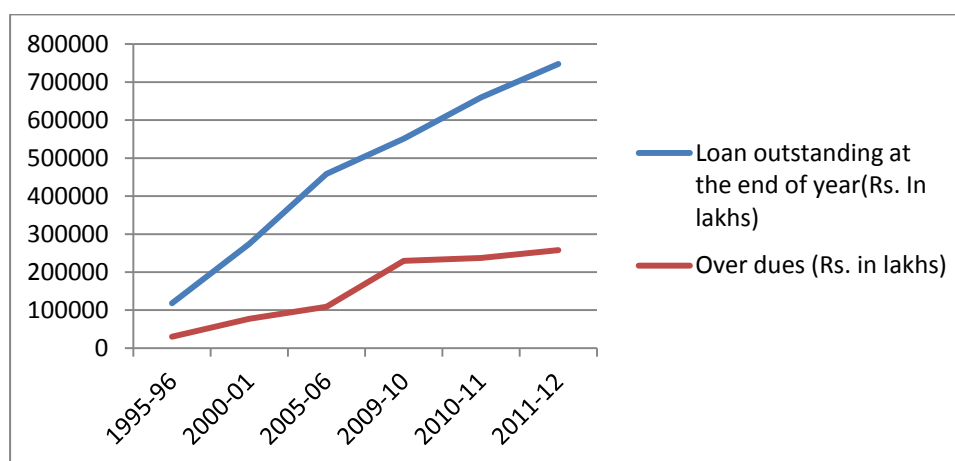
The table shows the degree of borrowing of banks in preceding years. It is shown from the above table that the total borrowing of banks which were Rs. 711.74 Crores in 1995-96 has increased to Rs. 4147.45 Crores in 2011-12. This shows that the short-term agriculture has played a leading role in agriculture sector. The banks also prefer to advance short-term loans to formers.

Table 4. Year wise detail of Over Dues as % of Outstanding Loans

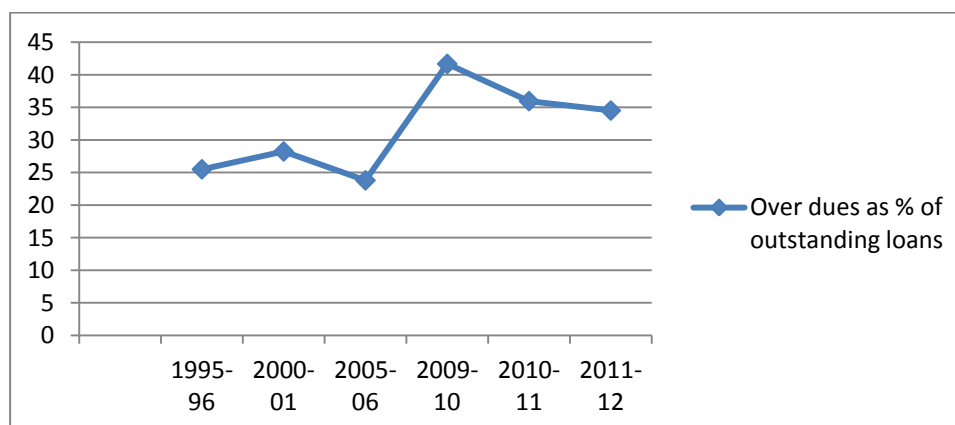
Year	Loan Outstanding at the end of Year (Rupees In Lakhs)	Over Dues (Rupees in Lakhs)	Over Dues as % of Outstanding Loans
1995-96	118251.50	30144.54	25.49
2000-01	274414.12	77468.15	28.23
2005-06	458156.00	109027.00	23.79
2009-10	550819.00	229527.00	41.67
2010-11	659580.00	237133.00	35.95
2011-12	747580.00	258061.00	34.51

(Source: Statistical abstract of Haryana 2011-12)

Graph 5.



Graph 6. Over Dues as % of Outstanding Loans



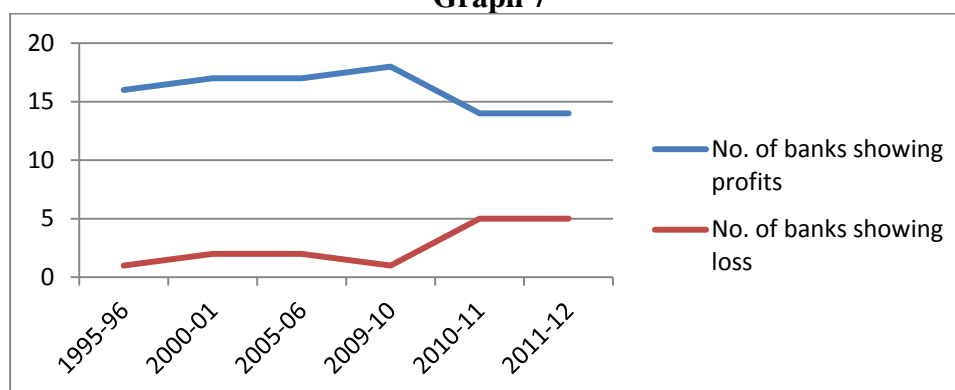
4.4 Interpretation 4

It is depicted from the above table that the % of over dues is higher than the outstanding loan comparatively in 2009-10. It is not good sign because the lending capacities of banks are completely depending upon the recovery of loans. The higher percentage will affect the performance of banks.

Table 5 Profits earned by the Central Co-operative Banks of Haryana

Years	No. of Banks Showing Profits	Profits (Rupees in Crores)	No. of Banks Showing Loss	Loss (Rupees in Crores)
1995-96	16	13.30	01	0.18
2000-01	17	20.33	02	1.26
2005-06	17	25.16	02	7.00
2009-10	18	31.13	01	9.10
2010-11	14	4.47	05	25.27
2011-12	14	8.14	05	27.68

(Source: Statistical abstract of Haryana 2011-12)

Graph 7

4.5 Interpretation 5

The table shows that the banks have earned Rs.13.30 Crores in 1995-96 which is reduced to Rs.8.14 Crores in 2011-12. The highest profits earned by the bank in 2009-10 that shows the impressive performance of banks. Thus it may be concluded that there has been fluctuations in profits over the period of time. But there are some banks incurred heavy losses in 2010-11 and 2011-12 due to increasing level of NPAs resulting failure and insolvency of some banks. In 2011-12 only the share of Yamuna Nagar and Fatehabad was higher but five district has suffered heavy losses because of constant increasing of over dues and outstanding loans.

5. Major Findings

Overall there has been an enhancement in the loans provided by the Central Co-operative Banks of Haryana but in 2005-06 and 2009-10 has decreased due to less demand and banking disbursal capacity. Deposit position of banks in Haryana shows impressive increase but growth is reducing constantly over the period of time. The demand of borrowing from State Co-operative Banks and NABARAD has increased just to fulfil the demands of farmers. The percentage of over dues as outstanding loans was higher in 2009-10 which shows that the improvement of loans was not good. There has been a wide variation in the amount of profits earned by the banks. The higher profits were Rs.31.13 Crores in 2009-10 and deserted to only Rs.4.47crores in 2010-11.

6. Suggestions

1. Banks should increase the share of loans to be provided for non-agricultural allied activities such as fish farming, piggery, bee keeping and floriculture etc. The bank should also increase the amount of medium term loans to purchase the costly agricultural implements for making stable improvement on land which necessitates profound amounts and requires longer period to repay the loan amount.
2. The banks should also provide other funds which can be used at the time of emergency. The State Government and NABARAD need to pay more attention in providing the loans to small

and marginal farmers without any delay. RBI should divest its routine role of rural credit planning to the specialized institution, namely NABARAD and should perform only a supervisory role.

3. The policies of the Co-operative Banks should be attractive and effective for the customers' welfare and instilling confidence in general public and customers. Loans should be directly available to the Central Co-operative banks from the Reserve Bank of India on easy terms and conditions at cheaper rates of interest to be provided to the agriculture sector and farmers. Management should be free from political interferences to enable it to function properly and benefiting the deserving people.
4. The bank should be more liberal to make the loans easily accessible to the farmers by making the procedures simpler and hassle free. The Banks should with the cooperation of govt. both centre and state set up the Disaster Relief Fund for the farmers affected due to the natural calamities like flood, drought, cyclone and earthquake etc. As in USA such calamities Relief Fund at soft rate of interest of 3 percent payable in easy instalments would greatly help the farmers in conjunction with existing measures.

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