



Analysis of Loan Disbursement to Agricultural Sector by Regional Rural Bank in Sirsa District of Haryana, India

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Abstract

The Indian Banking Sector has been the backbone of the Indian economy over the past few decades and the importance of the rural banking in the economic development of a country cannot be overlooked. Without the development of rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be played a vital role for the development of the rural economy in India. Following the recommendations of the Narasimhan Working Group (1975), Regional Rural Banks were set up to meet the challenges of institutional credit both short and long term. This paper attempts to analyze the loan disbursement to agricultural sector and its compound growth rate during disbursement period. The study has been conducted in Sirsa district of Haryana and based on secondary data collection. The analysis revealed that Regional Rural Bank's has been quite successful in disbursing agricultural loan in district Sirsa. The percentage of disbursement has fluctuated during the period under reference. In year 2005-06 percentage of agricultural disbursement is very high. Even total agricultural disbursement out of total disbursement has been found to be very low. Growth rates of agricultural sector loan has been 7.94 percent where as the total disbursement has risen with the growth rate of 9.28 percent. Both the disbursement has increased at 1 percent significant level.

Keywords: Regional Rural Bank, agricultural sector, agricultural disbursement.

Introduction

The Indian Banking Sector has been the backbone of the Indian economy over the past few decades, helping it survive various national and worldwide economic shocks and meltdowns. It is one of the healthiest performers in the world banking industry seeing tremendous competitiveness, growth, efficiency, profitability and soundness, especially in the recent years¹. Banks and financial institutions act as an intermediary between depositors and the loan applicants; their most important operation is to grant loans². Loans are main part of assets, and assets of the bank are basis of their profitability. Therefore, soundness of the banking system hinges on the reliability of asset structure in terms of secure loan portfolio and therein lays the threat to a bank's profitability in terms of emergence and growth of nonperforming loans³. In India majority of the population lives in rural areas. The rural sector affects directly or indirectly almost all the economic activities in the country and provides employment to the maximum number of people. A large part of the revenue of the government is also generated from the rural. The necessity of rural finance was felt to provide protection and reliance to rural people like moneylenders, landlords and traders etc. but they exploit farmers and small entrepreneurs by charging exorbitant rate of interest and force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on monsoon. Including problem of finance

they also suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural indebtedness⁴. In developing country like India, Low efficiency is a problem in most developing agriculture, and is one of the reasons for food insecurity⁵. So that, the need for agricultural loan among the small scale farmers cannot be over emphasized as it enables them to established and expand their farms⁶. Therefore, the importance of the rural banking in the economic development of a country cannot be overlooked. Without the development of rural economy, the objectives of economic planning cannot be achieved⁷. The financial institutions play a dominant role in mobilizing saving and then channelizing those saving for investment into productive activity⁸. But flow of credit to the agricultural sector failed to exhibit any appreciable improvement due mainly to the fact that commercial banks were not tuned to the needs and requirement of small and marginal farmers, while the co-operatives, on the other hand, lacked resources to meet the expected demand. The solution that was found involved in the establishment of a separate banking structure, capable of combining the local feel and familiarity of rural problems characteristic of co-operatives and the professionalism and large resources base of commercial banks. Following the recommendations of the Narasimhan Working Group (1975), Regional Rural Banks were set up. Thus, by the end of 1977, there emerged three separate institutions for providing rural credit, which is often described as the multi-agency approach⁹.

Significance: Banks today are an essential part of the economy for the services they provide. Today's banking sector serves a variety of sectors via loans, and in fact is necessary for any industry to keep moving ahead. In India, for the financial years 2009-2012, we see that almost half the credit from banks has been spent on manufacturing industries more than on agriculture, service industries, etc. Apart from this, the banking sector is also very essential for the import and export system of a country¹⁰.

Objectives: i. To know about the loan disbursement to Agriculture sector in Sirsa district. ii. To discuss the Compound Growth Rates of disbursement to Agriculture during disbursement period.

Methodology

Sampling Design: It was very difficult to select a perfect sample of universe. Sirsa district of Haryana state has been selected randomly.

Period of the Study: Period from 2001-02 to 2013-14 has been taken to draw the result of secondary data information.

Sources of the Data: Secondary data has been collected from Sirsa district branch of Regional Rural Bank.

Statistical Techniques: this study has been descriptive in the nature and percentage method for first objective and compound

growth rate's formula for 2nd objective have been used to analyze the loan disbursement and its growth rate to agricultural sector by Regional Rural Bank.

Results and Discussion

Regional Rural Banks occupy an important position in the rural credit market and providing loan to agricultural sector for their development in the country. The study has been found following results which were discussed as below.

Disbursement of Loan to Agriculture Sector: Disbursement of credit to agriculture depicted in figure-1 and the corresponding is given in table-1 RRBs have been quite successful in giving agricultural loan and makes a rising trends till year 2004-05. But in year 2005-06 it came down due to decrease in total disbursement by the RRBs. After this year it again shows rising trends. Total variation in percentage can also be seen from figure-2. During the period under reference, it seems fluctuated but maximum (96.66 percent) in year 2005-06 even disbursement to agriculture out of total disbursement was very low comparatively with other years. It shows that there was not any policy adopted by the bank which indicates the total amount which will disburse to agriculture yearly. It was base on the amount of the loan obtained by the borrowers from their respective sources was determine primarily by factor like their ability to repay loans, the evidence of project viability, the reliability of income etc.

Table-1
Disbursement of Loan to Agriculture Sector (Rs in crore)

Year	Disbursement in Agriculture	Total Disbursement	Percentage
2001-2002	7.64	9.01	84.79
2002-2003	9.32	9.97	93.48
2003-2004	9.87	10.36	95.27
2004-2005	10.22	12.07	84.67
2005-2006	8.99	9.30	96.66
2006-2007	9.92	13.11	75.66
2007-2008	11.24	14.03	80.11
2008-2009	11.56	13.33	86.72
2009-2010	13.01	17.23	75.50
2010-2011	13.22	16.40	80.60
2011-2012	16.29	19.85	82.06
2012-2013	20.46	25.81	79.27
2013-2014	21.90	27.20	80.51

Source: Regional Rural Bank, Sirsa

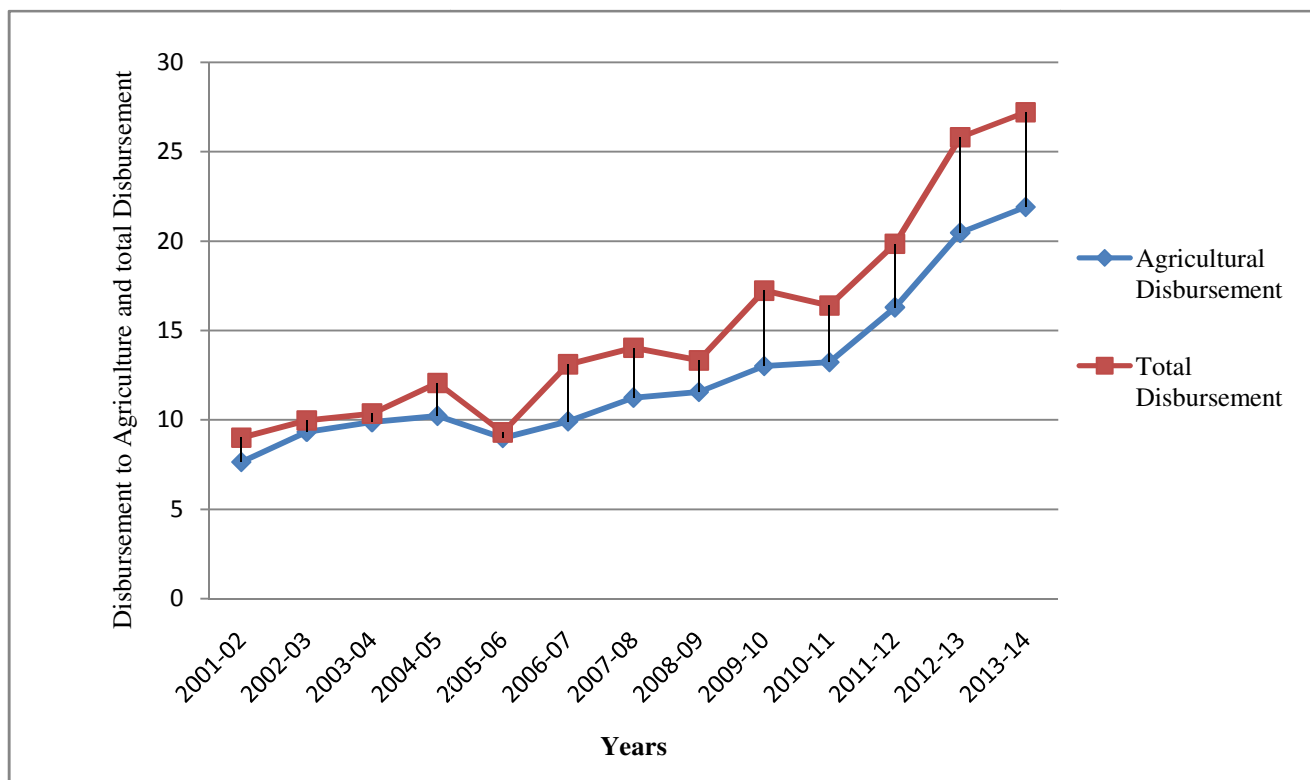


Figure-1
Disbursement of Loan to Agriculture Sector

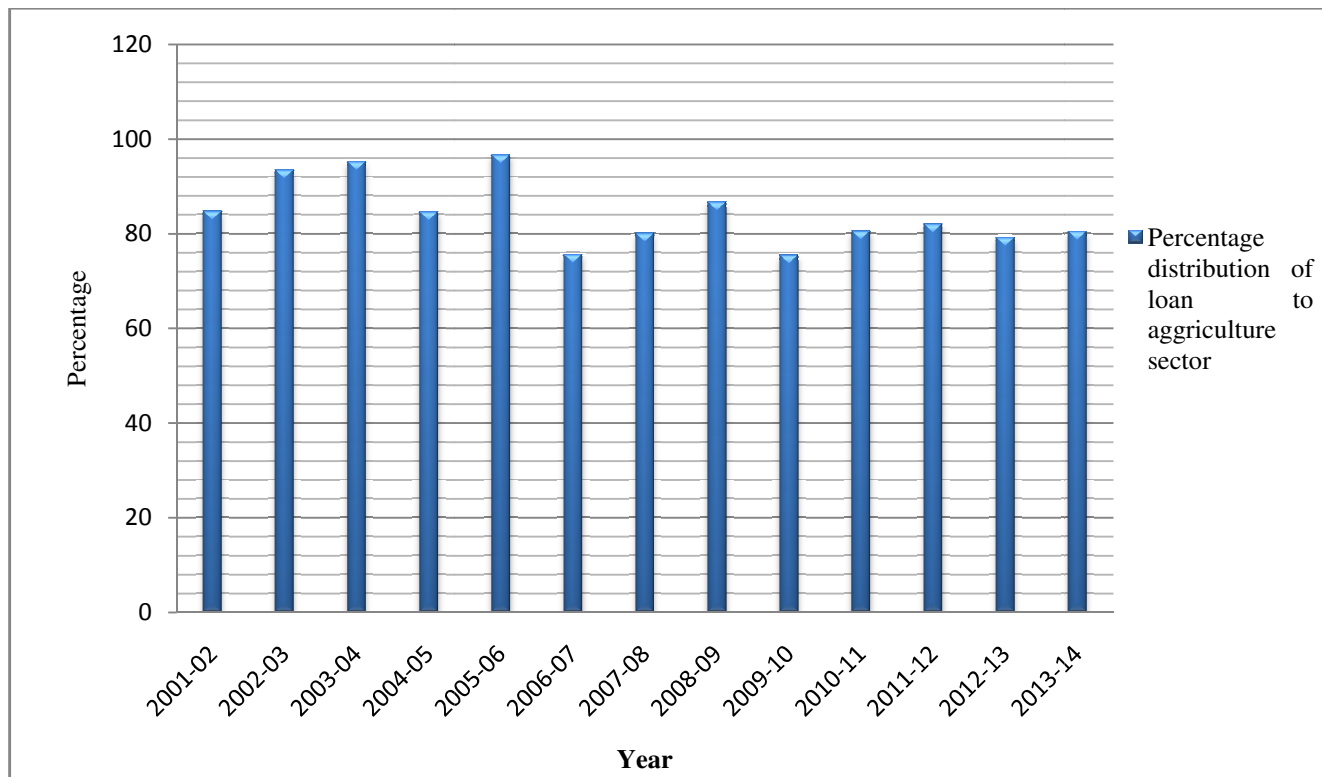


Figure-2
Percentage Disbursement of Loan to Agriculture Sector

Compound Growth Rates of Disbursement of Loan to Agriculture: Table-2 explain that maximum part of the total disbursement has allocated to agricultural sector as the growth rates of agriculture's sector loan has been 7.94 percent where as the total disbursement has risen with the growth rate of 9.28 percent. Both the disbursement has increased at 1 percent significant level during the overall study period.

Table-2
Compound Growth Rates of Disbursement to Agriculture
(2001-02 to 2013-14)

Contents	Constant value	B value	CGR
Disbursement in Agriculture	7.012884	1.079476	7.94*
Total Disbursement	7.660741	1.092829	9.28*

*Significant at 1 percent level of significance.

Conclusion

The study revealed that RRBs has been quite successful in disbursing agricultural loan in district Sirsa. The percentage of disbursement has fluctuated during the period under reference. Only In year 2005-06 percentage agricultural disbursement found to be maximum even disbursement to agriculture out of total disbursement was very low comparatively with other years. Growth rates of agriculture sector loan has been 7.94 percent where as the total disbursement has risen with the growth rate of 9.28 percent. Both the disbursement has increased at 1 percent significant level.

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