AGRICULTURAL FINANCE BY SCHEDULE COMMERCIAL BANKS

DR. JASBIR SINGH

NEELAM

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PREFACE

Banking system plays a very significant role in the economy of a country as well as international financial market. Banking, the world over, has been changing at a spectacular pace. This change is due to multifarious factors like the need to be efficient in functions, thirst for becoming finance superpowers than mere banks, growing importance of private banking, the rise in high net worth individuals, etc. With the ongoing financial depression, the position of banks have become all the more important in the course of working of the money market and hence the economy of a nation. The banking sector forming a portion of the financial sector primarily works as a financial intermediary generating money supply. From the different macro economic models, banks have been found to be a part of the supply side of the economy. However, over time banks have transformed from merely money generating organizations to a multi tasking entity.

This book is an attempt to provide the understanding of banking sector and their management to graduate students to make them ready as per demands of the banking industry. It is a comprehensive study material which integrates conceptual knowledge with business knowledge. This book covers various theories and function of money, evolution of banking sector and its system, types of banks Risk and their regulation, role of RBI, Indian monetary policy &system, regulation and supervision of banking system banking risk management, developmental role of banking and financial institutionsand various developments in banking sector. This book will enable students to equip themselves with all the basics of banking sector and role of international financial institution before entering corporate world.

We want to do the special thanks to our parents and our family members who sport us to finish this kind act.

We are thankful to publishers for their encouragement and cooperation in bringing out this edition.

We sincerely request comments and inputs from readers to improve the content of this book further in its future editions.

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We are greatly indebted to our parents who sport us to publish this research work and from the beginning to the completion of this work. Their intellectual sophistication has come out and taken the shape of this publication work ultimately. Their dedication towards pursuits has always been a source of inspiration to us. We record our sincere gratefulness to them for constant encouragement and their creative suggestions for improvement. We short of words to expression our gratitude to them.

We are highly indebted to my family members for their constant inspiration for publication of this book and for providing us suitable environment.

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Chapter - 1

Introduction

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Policy makers in India have long recognised the need to provide short and long term institutional credit to agriculture at reasonable rates for meeting farmers' production needs. This recognition came primarily as the moneylenders and other non-institutional sources charged exorbitant rates of interest to farmers who often had to mortgage, and sometimes, sell their lands to clear their debts. After independence, credit institutions serving the agricultural sector were developed in several phases. In the first phase from 1947 to 1969, cooperative agencies were the primary vehicle that provided credit. During the second phase from 1969-75, a major development in the area of rural credit was the nationalisation of banks in 1969. The commercial banks were also assigned an important role in providing agricultural credit to supplement credit by cooperatives. The third phase, 1975-1990, saw the establishment of Regional Rural Banks (RRBs) in 1975 to provide credit to small and marginal farmers and weaker sections of society. During this phase, introduction of the concept of priority sectors in 1985, whereby the banks were enjoined to lend 18 per cent of their total credit to agriculture, was an important step for extending credit to agriculture. In the fourth phase, beginning with the financial sector reforms of the 1990s, emphasis shifted in favour of prudential regulations, and the focus on social banking got diluted. As a result, the share of agriculture in total bank credit of the scheduled commercial banks fell below the 18 per cent target. In recent years, in response to the agrarian crisis, there have been a number of initiatives to expand credit to agriculture such as the doubling of credit within three years, the issue of Kisan Credit Cards (KCCs), the introduction of institutional agencies such as agency banking and extension of the model of Self-Help Groups (SHGs) to farmers, the revitalisation of the cooperative credit structure and the Government's acceptance of the principle of inclusive banking.

Institutional credit expanded rapidly in the post bank nationalisation period from Rs.1, 675 crore in 1975-76 to Rs.1, 80,486 crore in 2005-06 and the rate of growth was even higher than the growth rate of Gross Domestic Product (GDP) originating in agriculture. Despite this growth, the credit needs of agriculture have not been met fully and an overwhelming number of farm households have not been able to borrow from institutional sources. There has been a major shift in the relative importance of short-term and medium and long-term credit to agriculture. While short-term credit has remained the dominant component of total credit, its relative importance declined from 70.3 per cent in 1975-76 to 58.1 per cent in 2005-06. Even more striking, the relative importance of cooperative and commercial bank credit to agriculture was reversed. During 1975-76 to 2005-06, the share of cooperatives in total credit to agriculture declined from 69.5 per cent to 21.8 per cent, whereas the share of scheduled commercial banks increased from 24.2 per cent to 69.5 per cent.

The State economy continued to record an excellent growth during 2007-08 as well. According to Quick Estimates, the Gross State Domestic Product (GSDP) of Haryana at constant (1999-2000) prices has been estimated at Rs. 104188.51 crore in 2007-08 as against Rs. 95282.92 crore in 2006-07 recording a growth of 9.3 percent during 2007-08. The economy has been witnessing a growth of more than 9 percent during the last three years. At current prices, the Gross State Domestic Product has been estimated at Rs. 153087.03 crore in 2007-08 as against Rs. 130032.79 crore in 2006-07 recording a growth of 17.7 percent.

The State economy has recorded the excellent growth of 9.3 percent in real terms during 2007-08 in spite of the low performance in Agriculture sector. The excellent growth during the year is mainly attributed to the encouraging growth rates recorded in Trade, Communication, Construction, Transport, Real Estate, Ownership of Dwellings, Legal & Business Services, Manufacturing and Electricity, Gas & Water Supply sectors. During this period, Trade sector has recorded an increase of 16.1 percent, Communication sector 15.9 percent, Construction and Transport sectors each 11.2 percent, Real Estate, Ownership of Dwellings, Legal & Business Services sector 10.7 percent, Manufacturing sector 9.6 percent and Electricity, Gas & Water Supply sector 9.3 percent. In case of Agriculture Sector, the production of some crops mainly rice, wheat, bajra and cotton recorded increase of 7.2 percent, 1.8 percent, 13.7 percent and 4.4 percent respectively during the year 2007-08 over the previous year. But the production of oilseeds, sugarcane (Gur) and gram decreased by 23.2 percent, 8.2 percent 2 and 40.0 percent respectively during the year. As a consequence of decreased production of oilseeds, sugarcane (Gur) and gram, the Agriculture Sector recorded the growth rate of 0.9 percent only during the year 2007-08.

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The sectoral analysis reveals that the Gross State Domestic Product at constant (1999-2000) prices from Primary Sector which comprises Agriculture, Livestock, Forestry, Fishing and Mining Sectors has increased from Rs. 21127.82 crore in 2006-07 to Rs. 21344.82 crore in 2007-08 showing an increase of 1.0 percent. The Gross State Domestic Product from Secondary Sector which covers Manufacturing, Construction, Electricity, Gas and Water Supply Sectors has increased from Rs. 28146.67 crore in 2006-07 to Rs. 30992.64 crore in 2007-08 registering an increase of 10.1 percent. The Tertiary Sector, which comprises Trade, Transport, Banking, Ownership of Dwellings, Public Administration and Other Services Sectors, recorded a growth of 12.7 percent. Its contribution in the total Gross State Domestic Product at constant (1999-2000) prices has increased from Rs. 46008.43 crore in 2006-07 to Rs. 51851.05 crore in 2007-08.

The structural composition of State economy has witnessed significant changes since the formation of Haryana State. Agriculture Sector still continues to occupy a significant position in State economy, although, the share of this sector in the Gross State Domestic Product is continuously declining. The predominance of Agriculture Sector is also responsible for instability in the growth rate of economy due to fluctuations in agricultural production. Natural calamities and fluctuation in rainfall often cause substantial loss in crop production which eventually results in fluctuation and instability in growth rate of State economy. Moreover, rapidly increasing share of Services Sector is also responsible for decline in the share of Agriculture Sector. The composition of Gross State Domestic Product at constant (1999-2000) prices reveals that the share of Primary Sector which includes Agriculture and Allied Sectors has declined from 32.0 percent during 1999-2000 to 20.5 percent during 2007 -08.

Manufacturing Sector occupies the second important place in the State economy after Agriculture and Allied Sectors. The State has adopted liberal industrial policy and committed to create healthy environment for industrialisation to attract foreign as well as domestic investment and participation to speed up growth of industry and generate additional employment. The share of Secondary Sector which also includes Manufacturing Sector has increased from 28.5 percent during 1999-2000 to 29.7 percent during 2007-08.

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Tertiary Sector which is a combination of different services like Trade, Transport, Banking, Public Administration, Education, Health etc. also witnessed significant increase in its share. Its share in Gross State Domestic Product at constant (1999-2000) prices has increased from 39.5 percent during 1999-2000 to 49.8 percent during 2007-08. Trade Sector which occupies the third important place in State economy after Agriculture and Manufacturing Sectors witnessed an increase in its share in the Gross State Domestic Product and its share rose from 13.2 percent during 1999-2000 to 17.1 percent during 2007-08 at constant (1999-2000) prices. The continuous increasing trend in the share of this sector indicates good scope and potential for its future perspectives also.

The composition of Gross State Domestic Product reveals that the share of Primary Sector is continuously declining whereas the share of Secondary as well as Tertiary Sector is continuously increasing. It shows that the State economy is shifting from Agriculture to Manufacturing and Services Sectors, which is a sign of healthy economy and the State economy is moving in the right direction.

The Per Capita Income (Per Capita Net State Domestic Product) in real terms at constant (1999-2000) prices has been estimated at Rs. 39796 during 2007-08 as against Rs. 37314 during 2006-07 showing an increase of 6.7 percent during 2007-08. At current prices, the Per Capita Income has been estimated at Rs. 58531 during 2007-08 as against Rs. 50488 during 2006-07 showing an increase of 15.9 percent during 2007-08.

Haryana has been a pioneer in carrying out fiscal reforms. Planning Commission has also appreciated the State Government for the reform initiatives taken in various sectors. The revenue deficit of the State which was at a level of Rs. 1540 crore in 1998-99 came down to Rs. 258 crore in 2004-05. During 2005-06 the State has become a revenue surplus State to the extent of Rs. 1213 crore while during 2007-08 the revenue surplus of State increased to Rs. 2224 crore. In terms of the percentage of GSDP, the revenue deficit reduced from 3.5 percent in 1998-99 to 0.28 percent in 2004-05 and thereafter State is a revenue surplus State. Due to slow down in economy, there are apprehensions of shortfall in revenue receipts of the State. The main impact would be in the receipts

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from Stamps & Registration and Urban Estate. The fiscal deficit has reduced from peak of 5.1 percent of GSDP in 1998-99 to 0.83 percent in 2007-08. The State Tax-GSDP ratio has improved from 6.84 percent in 1999-2000 to 7.59 percent in 2007-08. The notable feature of State’s financial management is that Haryana State has not availed any over-draft facility from RBI since June, 2002.

INDEX OF AREA, YIELD AND AGRICULTURAL PRODUCTION

Agriculture continues to occupy a prominent position in State economy. Despite the decline in the share of Agriculture Sector in the Gross State Domestic Product to 19.6 percent in 2007-08 from 21.2 percent in 2006-07, about two third population of the State still depends upon agriculture for their livelihood. The total area of the State under cultivation has already reached at a saturation level and thus there is hardly any scope to bring more area under cultivation. The agriculture production can only be increased through enhanced cropping intensity, change in cropping pattern, improvement in seeds of high yielding varieties, better cultivation practices and development of post-harvest technology etc. State Government is trying to reorient agriculture through various policy measures for increasing the production.

The Index Number (Base Triennium ending 1981-82=100) of area under crops which was 119.61 in 2006-07 is expected to decrease to 119.16 in 2007-08. The Index Number of agricultural production is likely to decrease from 259.45 to 256.53 and of yield from 216.91 to 215.28 during the period under reference.

Index Number of agricultural production is estimated to decrease from 259.45 in 2006-07 to 256.53 in 2007-08.The index of non-foodgrains is also likely to decrease from 307.74 in 2006-07 to 278.38 in 2007-08 whereas the comparative expected increase in index of foodgrains is from 240.41 to 247.91 during this period.

INDEX OF INDUSTRIAL PRODUCTION

Industrialization plays a vital and crucial role in the economic development of an economy. It accelerates economic growth of a State and thereby increases the contribution of Industry Sector in the State Domestic Product by way of increase in the production and employment. Index of Industrial Production (IIP) is one of the prime indicators of the economic development for measurement of trend in the Industrial

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Production over a period of time with reference to a chosen base year. Index of Industrial Production presently being prepared in the State with 1999-2000 as base year covers Manufacturing, Electricity and Mining & Quarrying sectors.

Impressive performance by Manufacturing Sector pushed up the General Index of Industrial Production with 1999-2000 as base year to 198.52 in 2007-08 from 182.01 in 2006-07 registering an increase of 9.07 percent. The index of Manufacturing Sector which carries the highest weight in IIP rose from 179.15 in 2006-07 to 196.36 in 2007-08, exhibiting a growth of 9.61 percent.The Index of Electricity Sector indicated a growth of 3.45 percent as it rose from 262.63 in 2006-07 to 271.70 in 2007-08. Likewise the index of Mining & Quarrying sector increased from 81.65 in 2006-07 to 86.07 in 2007-08 registering a growth of 5.40 percent.

The Index of Basic Goods Industries like fertilizers, insecticides, pesticides, various items of iron, steel & stainless steel, mining & quarrying and electricity etc. increased from 159.42 in 2006-07 to 171.22 in 2007-08 recording an increase of 7.40 percent.

The Index of Capital Goods Industries like tractors, motor cars, cranes, compressors, dump loaders, refrigerators, AC motors and insulated cables etc. increased from 147.06 in 2006-07 to 161.41 in 2007-08 showing an increase of 9.76 percent.

The Index of Intermediate Goods Industries like yarn, dyes & colours, glass bottles, fiber glass sheet/board, gas cylinders, motor vehicle parts & accessories and parts & accessories of motor cycles, scooters & three wheelers etc. increased from 200.29 in 2006-07 to 222.64 in 2007-08 recording an increase of 11.16 percent.

The Index of Consumer Goods Industries increased from 209.19 in 2006-07 to 226.41 in 2007-08 showing an increase of 8.23 percent. The Index of Consumer Durable Goods Industries like tyres /tubes, radio telephone system, motor cycles, bicycles and utensils all type etc. increased from 297.77 in 2006-07 to 317.84 in 2007-08 indicating an increase of 6.74 percent over the previous year. The Index of Consumer Non-Durable Goods Industries like milk & milk powder, deshi ghee, rice, sugar, edible oil, leather shoes, readymade garments and papers etc. increased from 162.98 in 2006-07 to 178.71 in 2007-08 exhibiting an increase of 9.65 percent over the previous year.

PRICE SITUATION

Fiscal and monetary policies which have an important bearing on the price situation are exclusively in the control of Government of India. Therefore, the State Government has a very limited role in controlling the rise in prices. However, it maintains the efficient public distribution system, checks black marketing, profiteering and hoarding in essential commodities. The State Government has, by and large, been quite successful in this direction.

Wholesale Prices

During the year 2008, the Wholesale Prices of Agricultural Commodities in the State witnessed an increasing trend. The Index Number of wholesale prices of agricultural commodities (Base 1980-81=100) in Haryana rose from 651.9 in November, 2007 to 747.5 in November, 2008 registering an increase of 14.7 percent whereas it increased by 3.9 percent during the corresponding period of the last year. This rise may be attributed to the increase in the prices of grains, pulses, oil seeds, fibers, gur and dry chillies which recorded increase of 11.9, 27.4, 31.6, 17.0, 57.3 and 8.6 percent respectively. The price of potato has decreased by 39.3 percent during this period.

Retail Prices

The All India Working Class Consumer Price Index (Base 2001=100) was 134 in November, 2007 which rose to 148 in November, 2008, registering an increase of 10.4 percent. The Haryana State Working Class Consumer Price Index (Base 1982=100) also rose from 533 in November, 2007 to 589 in November, 20087 thus registering an increase of 10.5 percent. On an annual average basis upto November, 2008 the rise in Consumer Price Index in Haryana was 7.5 percent.

PUBLIC DISTRIBUTION SYSTEM

Public Distribution System (PDS) is the chief instrument to meet twin objectives of price stability and ensuring availability of essential commodities at easily affordable price especially to the poor. At the time of creation of Haryana State, there were only 1518 fair price shops (988 in rural areas and 530 in urban areas), catering to about 15 lakh ration card holders. It has been reorganized and streamlined from time to time to accommodate human needs. According to 31st December 2008, there is a big network of

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(9177) fair price shops (6730 in rural areas and 2447 in urban areas), catering to about 54 lakh ration card holders. At present, under the Targeted Public Distribution System scheme, 35kgs. wheat at the rate of Rs. 4.84 per kg. is being made available every month to 1181165 families living below poverty line (BPL). As per decision of State Govt., Above Poverty Line (APL) wheat is being distributed to the State BPL families at the rate of Rs. 4.84 per kilogram and the difference of cost of APL rate & BPL rate (Rs. 6.86- Rs. 4.84) Rs. 2.02 per kilogram is being borne by State.

PROCUREMENT OF FOODGRAINS

Rabi Foodgrains

Government of India announced Minimum Support Price (MSP) of wheat as Rs. 1000 per quintal during Rabi Marketing Season (RMS), 2008-2009. During this season, a quantity of 52.37 lakh tons of wheat was purchased on MSP. The Procurement Agencies in the State have made arrangements for the purchase of about 55.00 lakh tones wheat for Rabi Marketing Season 2009-10.

Kharif Foodgrains

During Kharif Marketing Season (KMS), 2008, Govt. of India announced MSP of Common and Grade-A paddy as Rs. 850 and Rs. 880 per quintal respectively. A bonus of Rs. 50 per quintal over and above the MSP was also sanctioned. During this season a quantity of 18.20 lakh tonnes of paddy was purchased by the procurement agencies on MSP.

Government of India also announced MSP of bajra as Rs. 840 per quintal during Kharif Marketing Season (KMS), 2008. During this season, a quantity of 3.11 lakh tones of bajra was purchased on MSP.

In the early years, rural development was considered synonymous with the growth of agriculture and allied activities. Over the years, rural development has emerged as a strategy designed to improve the economic and social life of a group of the people, the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas.

India is a developing country and there is no doubt in this regard that Indian economy is rural dominated. In other words, we can say that India is a country of villages. According to the census 2001, 62 percent population lives in rural areas and a large number of rural people are still living below the poverty line (36%). The abject poverty, hunger, disease and human living conditions and the related problems of inequality and unemployment have been the well-recognized basic problems of our rural economy since long time. So that, India's development means rural India's development and rural India's development is impossible without eradication of rural poverty. It was realised, even before independence, that any strategy of development must give priority to rural development in order to solve the inter-linked problems of poverty, hunger, illiteracy and disease. Mahatma Gandhi was very right saying that, "If the village perishes, India will perish too. It will be no more India". Development implies a change for the betterment of human living. Development of a country does not merely mean as increase in its GNP or per-capita income. The recent view is how the growth process can be fitted in favour of the poor. The main objective of development in today's world is not merely the reduction of the poverty, inequality and unemployment but to improve the quality of life. "It has to do with the whole texture of human existence. It is not the size of the economy but the quality of life for each member of society, which is our final concern". Development encompasses various factors such as the level of satisfaction of the needs of the people in terms of food and nutrition, housing, health, education, recreation security, spiritual satisfaction etc. "As a strategy of development its focus has been on rural areas, since the mass of the poor in India are concentrated here, and urban poverty is only on outflow of rural poverty." A number of attempts for rural development were made before and after independence. But the fruits of all rural development programme accrued mainly to the asset owning classes and they did not trickle down to the poor. Even after fifty-eight years of the independence we have failed to improve the living conditions of India's poor. The problem of deepening poverty has been the consequence of development strategies in which "We were laugh to take care of our GNP, since this would take care of poverty". But this did not happen. Our sustained growth is still accompanied by continuing poverty and the process of growth have tended to increase relative inequality. The poor even today are powerless, resource

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less and income less to earn their basic necessities of life. “What is at staking in rural India is not a fair share of the land but a fair share of income and employment, education and social status. The chief problem of rural poor is that landless labour is also capital less, skill less, education less and status less labour”. Though huge public investment has been made on large number of rural development programme, yet these programmes could not cover all the sections and no significant improvement could be made in the living conditions of the poorest of the poor people in rural India.

If we say that the concept of rural development is a dynamic, complex and multi-dimensional. One and is of focal interest and widely acclaimed in both the developed and developing countries of the world. The term rural development has been used in different time and in vastly divergent contexts and every one interprets it’s in his own way depending upon his focus.

In conclusion, rural development may be defined as a process of developing and utilizing natural and human resources, technologies, infrastructural facilities, institutions and organizations, government policies, and programme to improve the quality of rural life towards self-sustenance. In addition to economic growth, this process typically involves charge in popular attitude and in many cases even in customs and beliefs. In a nutshell, the process of rural development must represent the entire gamut of change by which social system moves away from a state of life perceived as unsatisfactory towards a materially and spiritually better conditions of life.

The basic objective of rural development is to organize, develop and utilize the available resources of land, water and manpower in such a manner that the entire population dependent on these resources has an equitable opportunity to meet, as a minimum, its basic needs. Rural development involves:

(i) Improvement in levels of living of the weaker sections of the rural population, as indicated by income, productivity, employment, literacy rate, health and nutrition, infant mortality rate, expectation of life, exposure to mass media, housing, political participation, status of women, supply of safe drinking water and similar other minimum needs etc.

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(ii) Eliminating inequality in the distribution of rural wealth and income and economic opportunities.

(iii) Capacity of the rural sector to sustain and accelerate the pace of the above mentioned improvements over time.

Need of Credit in Rural Areas

The green revolution, which began in India in 1966-67, initiated the era of modernization or marketisation of Indian agriculture. It means intensive agriculture based on larger irrigation facilities, chemical fertilizers and pesticides, when two crops are produced in place of one, mechanisation of farming helps to reduce time required for land preparation. In other words, on given land more input are combined to produce the higher level of output and constraint of land for production to that extent has loosened. In this scenario agriculture acquires characteristics of an industry. Cash crops, which respond more positively to prices, start becoming more important for the farmers. This is how; Indian agriculture has entered the real growth phase since 1966-67.

The new phase of growth promoted the demand for cash that has to be met largely through credit. Credit has not only increased in quantum but also in various forms, with the availability of new inputs and credit to purchase, the adoption of new farm technology in all areas and by all farmers would not be uniform. Since all areas are not endowed with irrigation potentials. So in the dry areas the growth process would be slow. With the advent of new technology change in credit procedures would become necessary to suit the new farm production system, which is not only intensive but also diversified in nature.

Though the new farm technology may be neutral to size of farm, organising credit for the growing number of small farmers would be a difficult and expensive task. Due to lack of sufficient credit, small farmers are not in a position to adopt the modern system of production unless the gain is large immediate and certain. Besides they may not have their own resources, easy access to credit becomes essential for development point of view.

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It can be stated that credit may not initiate the process of adoption of new technology but it would facilitate adoption of technology and acts as a lubricant.

ROLE OF BANKS

In a planned economy like India which primarily aims to ameliorate the conditions of the rural poor through creation of employment opportunities, improvement of skills and productivity of land and labour, banks are expected to play an active role in development irrespective of how they come-up, who own them and what they were doing up to now. The organization of co-operative credit system, the emergence/conversion of Imperial Bank of India into State Bank of India introduction of social control over banks and latter, the nationalization of major banks were to ensure that the banks no longer remained unconcerned with the needs of planned development but played an active role in improving the productivity of human and natural resources in India, in the development of rural sector and for the uplift of poorer sections of society. The role of banks in the present context has to be viewed from this basic consideration.

The banks cannot have the same objectives as those of the national plan. Irrespective of at what stages our planning process stands or the detailed contents of the ongoing five-year plan. The principal objectives of national planning in India have always been and continue to be for a long time to come viz., removal of unemployment and under-employment through creation of additional employment opportunities. For this purpose, provide necessary technical and financial help so that (a) requisite assets are acquired by the poorer sections of the population, (b) their skills are improved so that their productivity increases and (c) institutional support is given to those who require it most. From these objectives, the main content of developmental role of banks in the rural sector follows.

(i) All bank loans are to be part and parcel of total development programming under the national five-year plan.

(ii) Loans are to be given for labour intensive schemes, which generate employment.

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(iii) Loans are given to generate productive assets and increase the existing assets particularly of land so as to reduce under-employment and bring about increased income levels, and

(iv) Loans are given to the weaker section (marginal and small farmers, agricultural labourers, rural artisans, and members belonging to scheduled casts and scheduled tribes.) for productive purposes with some consumption component so that their productive efficiency does not suffer due to lack of adequate maintenance income.

While the banks will have to keeping in mind the basic needs to assist increased production by all the banking in the development context implies that the role of banks should contribute to promote various development programme and resource mobilization in the rural sector. The various development programmes could be group-oriented in which loans for group activity may be required or individual oriented in which individuals have to be assisted by loans to undertake investment each on his own. The areas in the command of irrigation projects that require compact area approach, lift irrigation schemes which are group based and individual investment schemes like sinking of a well or purchase of pair of bullocks require different systems of handling. Development programme will also encompass investment lending to add to the productive assets or to improve the productivity of the existing assets such as development of land by leveling and bounding. Development also includes bank loans for improving production with the help of larger and more modern inputs. In this way, development efforts would call for primarily investment lending for creation of assets and secondly for augmenting production from the existing assets as also from additional assets created through investment lending. In the Indian context, development lending has to be in live with the aims, objectives and programme enunciated in the five-year-plans. Thus, bank lending for rural development in India should mean a complementary role by the banks to assist in the implementation of plan programme. Rural banking, in this sense, becomes a handmaid of overall development planning for the rural sector. Considered this way, apart from production and investment loans to increased production and incomes, even schemes for infrastructure development where charges can be levied become bankable propositions.

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Credit activities which are undertaken on an individual basis, in an adhoc manner without containing them into the overall plan programme and linking them with infrastructure development, will only result in the misuse of scarce resources and debt becoming a burden instead of a benefit to the borrower. The danger of credit becoming a burden rather than an instrument for uplift is greater in respect of loans to the vulnerable sections of the rural community. Since the poorer groups constitute the largest number, the national objective is naturally to take up development programme for improving the lot of these groups. As a conclusion, banks too will have to take the poorer groups as their main targets for development assistance. The question is thus to assist the poor, the connotation of banking in the rural areas take a different form. No longer can banking be considered as purely commercial where the banks will decide to assist only those who will be able to make the best use of money lent and repay the loans taken. The role of banks in this situation gets widened and it becomes social banking. Which, would only mean that the banks have to help the socially backward groups not only by providing money but also by arranging for supporting services so that the borrower gets all the inputs required and technical guidance to make proper use of loans? This kind of credit system is really the crux of rural banking in India.

Banking Development in India

In the economic history of India, banking and bankers have always occupied a respectable place. “There is plenty of evidence to show that even prior to the advent of accidental ideas; India was not a stranger to conception of banking”. Chanakya’s Arthashashtra (about 300 BC) is full of facts to show that there were in existence powerful guilds of merchant’s bankers who received deposits, advanced loans and carried on other banking functions. It was the foreign invasions from 6th century onwards and consequent political instability that seriously undermined their status and standing. But individual bankers of the Nawabs of Bengal came to be recognized. Even Aurangzeb, the most orthodox Moghul Emperor and the East India Company were compelled to borrow from them and publicly honour them.

But banking in the modern sense came to be established in India with the setting up three Presidency banks, the bank of Bangal in 1806, the bank of Bombay in 1840 and the bank of Madras in 1843. These were successors to agency houses, which invariably combined banking with their commercial and trading activities, and were floated by the East India Company to facilitate the borrowings of the government and maintenance of credit. These presidency banks were amalgamated in January 1921, into the Empirical bank of India. The intention was to create a Central bank in the country with the monopoly of note issue and serve as banker's bank and a government bank. By this time, a number of joint stock company banks had come to be established after the acceptance of the principle of limited liability in 1860. The year 1860 is therefore, considered to be a landmark in the banking history of India, as it was afterwards that some of the well-known banks were formed the bank of upper India (1863), the Allahabad bank (1865), the Bangalore bank (1868), the Alliance bank of Shimla (1874) etc. Indian managed joint stock banks also began to be floated: the first being the Oudh Commercial bank in 1881, followed by the Punjab National Bank (PNB) in 1894. Then the Swadeshi Movement of 1906 gave rise to the bank of India, the Indian bank of Madras, the Central bank of India, the bank of Baroda and the like.

The two world wars proved a boom to the banking industry when many large and small banks were started. A good proportion of them stood the test of time and survived the subsequent crises; especially the great economic crash (1929-33). But at least an equal number of them failed and fell and fell lime the leaves of autumn as soon as boom and prosperity of the war was over. Though Reserve Bank of India (RBI) was constituted in 1935, much could not be done in respect of bank failures till the Banking Companies Act was put on the statutes book in March 1949. In the time period, between 1939 to1946, 422 banks were failed. The Independence of the country in August 1947 changed the whole approach towards commercial banking and Government came to recognize it as a positive instrument for faster economic development. So that Govt. Nationalized (January 1949) the RBI and in 1955 Govt. Nationalized the Empirical Bank of India, which called State Bank of India (SBI). That called a bank of Govt. on the night of July 19, 1969 the then president V.V. Giri, all of a sudden, issued an ordinance nationalizing the 14 major scheduled commercial banks, whose deposits as on end June 1969 were not less than Rs.50 crores. Broadly, the step of nationalization was intended to 'accelerate' the achievement of the objectives of social control. On April 15,

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1980 the government issued an ordinance taking over six more private sector commercial banks: Andhra bank, Corporation bank, Oriental Bank of Commerce, and Vijaya Bank. Each one of these had crossed the deposit mark of Rs 200 crores, when at the time of first nationalization in July 1969; their individual deposits were below Rs. 50 crores.

Need and Importance of Study

Indian economy is called a rural economy and rural areas are totally dependent on agriculture and allied activities. So that agriculture sectors also acts as backbone of the Indian economy (rural economy), which also supports the infrastructural development. It helps the railways and road transports that get a big volume of business from the movement of agricultural items from one place to another place and thus earning substantial reverse. Better performance of agriculture leads to high purchasing power of the farmers, which generates more demand for manufactured goods.

In the modern era credit is necessary for rural/agricultural development. For the development of agriculture, it is necessary to use the modern machinery, equipment, pesticides, seeds, fertilizer and other inputs. But it is not possible for the farmers without getting the financial help in the form of loan and advances from the government and its sponsored financial institutions. This help to the farmer is in the shape of credit/loans and subsidies. Undoubtedly, credit has played very significant role in the progress of agriculture in India since independence. So that we can say, credit is the measure instrument of the overall development of any economy/country.

The farmer's requirements are determined on the basis of their capacity to borrow and return. All inputs like seeds, fertilizers, small equipment, hired labours, pesticides, fooder etc. can only be arranged by a majority of farmers, with the help of borrowed funds. Most of these loans are of short period nature say 15 months. Medium term credit (from 15 months to 5 years) it is generally used by the farmers for the purchase of agriculture implements, cattle as well as for construction and repairs of tube-wells. The credit finance given by the financial institutions for the purpose of permanent improvement of land, purchase of tractors and other big sized equipment's are known as long term credit and is given up to 5 years. All these types of time-based credits are required to be given by co-operative bank, RRB and CB.

It may further be stated that the agricultural credit also plays its role in capital formation and its maintenance, storage, marketing and processing activities in the economy. The demand of agriculture credit is increasing very fastly. It can only meet by bank and other financial institutions. It was estimated Rs. 750 crore rupees in 1951-52, which has increased Rs. 60842 crore in 2001-02. It demands of credit for agriculture is estimated not real. After the nationalization of 20 banks, there are hardly meet the 14.1 percent (1998-99) of agriculture credit demand. So, that in the rural area people had to gone the private moneylender for the fulfillment the credit need and they charged very high rate of interest (24 to 60 %). While, one of the main objectives of nationalization was to enable the banks to play a more dynamic role in agricultural production by increasing their loaning to agriculture sector and reducing the credit gap in rural people. Because this gap is increasing, demand of rural credit is increasing while supply of this credit also decreasing. At last we can say that, for the development of agriculture credit is needed so for the fulfillment of rural credit.

A strong agriculture base is an essential requirement for the economic development of a country as like India. The agricultural revolutions that are taking place in the country on account of science and technology to agriculture forms the basis of development. The agriculture is capital intensive and farmers need capital especially for capital inputs such as farm machinery, fertilizers, seeds, pesticides, marketing and storage of the production. High development of agricultural sector depends on the amount of credit which required and SCBs plays a dominant role of agriculture credit in India.

Providing appropriate finance for agricultural operations will be work as like as oiling in agriculture wheels to make it moving swiftly and smoothly. More so in the context of India which is jam-packed with small farmers who have almost no resource and are in desire need of them. Therefore, making availably of credit on cheaper rate to farmers for the purpose of expansions and modernization of agriculture and ensuring its productive use should from the basic plants of any credit policy to foster progressive rural economy.

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The Indian farmer's significant response to adopt the new science and technology is harnessed due to the lack of adequate provision of credit. Requirements of agricultural credit in the coming years will be massive dimensions. That is why the commercial banks have started to open rural branches. But in the absence of a serious attempt to understand the farmers problems and requirements they have, to a great extent, restricted their loans to the big farmers only. They must, therefore, have to address themselves to the risk of agricultural finance more seriously and organize themselves and their procedures in such a manner as to provide a smooth and increasing flow of the credit to agriculturists.

Nature of agricultural operations is such that forming cannot be done without occasional doses of outside finance. Whereas the return is seasonal, the investment is required to be spread over a period. A part from the need for credit to support subsistence farming in backward areas, the need of credit has become greater in areas where ambitious programmes of high-yielding varieties, mechanization and modernization of agriculture have been launched. It has been the experience in Haryana that whereas the farmers are generally aware of the use of commercial fertilizers, hybrid seeds, plant protection measures, But they are not able to apply these inputs in adequate doses unless they don't get by adequate credit.

Role of Agriculture in Indian Economy

Agriculture is the backbone of the Indian economy and despite rapid industrialization; it occupies a key role in the Indian economy and is often said as agricultural economy. The place of agriculture in Indian economy can be clearly brought out by the following facts.

1. Indian agriculture is the source of food for our teeming millions. It provides cereals and pulses, sugar and gur, edible oils and vanaspati etc. it also provides fodder to the cattle. Agriculture has met fully our requirement of food. But with rapidly increasing our population we have to import millions of tones food grains or oils every year.
2. Agriculture is the most important sector of Indian economy contributing about 20 percent in national income 2007. Though the contribution of agriculture in the national income due rapid industrialization is decreasing still it possesses the pride of

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place.

Production of food-grains contributes 43.6 percent of the total gross state domestic product. The share of agrarian sector in the national income of our country is much higher than the developed countries.

3. Agriculture is a permanent source of raw material to much old and traditional industry which is directly based on agricultural goods. These are often referred to as agro-industries as like. Cotton textile industry, jute textile industry, sugar industry, vanaspati and plantation etc. get their raw materials from agriculture.

4. Most of our exports consist of agricultural goods such as tea, oilseeds, tobacco, coffee etc. Agriculture goods constitute merely near about 50 percent of our exports. Manufactures with agricultural contents about 20 percent making the total to 70 percent of Indian is total exports. Agricultural sector, thus, accounts for a major source of earning of foreign exchange and saving thereof, which intern needed in exchange for import of machinery, chemicals, heavy capital goods, technical know-how and fertilizer etc.

5. Agriculture is the main source of income to the agrarian population and consequently large demand for goods supplied by industries. Jute industry, gur and sugar, textile industry, fertilizer industry, cotton industry, and those producing pump sets, tractors and other agricultural machinery directly depend on the demand of farmers. Hence, due to high income of the farmers they will be demand more and more industrial goods.

6. Agriculture is the main support to enhance transportation sector such as railways and road transportation. The bulk of agricultural produce is transported from farm to mandies and factories by the transporter. Internal trade of agricultural products is done by the total transporter.

7. Agriculture occupies a highly important place in India from the point of view of employment. Nearly 60 percent of Indian's working population is engaged directly in agriculture sector. If people who indirectly depend upon agriculture are also taken

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into account, the figure goes nearly 80 percent, whereas in developed countries this ratio is very small.

In Haryana percentage share of total population depends on agriculture is about 58 percent. Thus, it may be said that agriculture is the backbone of Indian economy. So the prosperity of agriculture is the prosperity of entire Indian economy. The Rostow stages theory of growth has observed that, agriculture plays a distinct but multiple and converging role in the transitional process of the "take off" into self-sustained growth.

RELEVANCE OF AGRICULTURAL FINANCE

Adequate amount of capital investment in agriculture has emerged as vital importance for launching various development programmes. It may be recalled that, in India, 62 percent of total cropped area is being done on a subsistence level. In this context, credit has greater relevance in view of the fact that wide-spread use of modern technology depends largely on external finance. The National Commission on Agriculture, therefore, emphasized the problem of agricultural finance that credit is one of the most important instruments of the development and the farmers would not have any access to the fruits of science and technology without adequate finance resources. Infect, shortage of capital and its sub-optimum allocation among farmers in less developed countries, has rather to be solved through improving the supply of credit. Accordingly the problem of agricultural finance has been envisaged of immense significance in nation's five years plans.

Agricultural finance plays a pivotal role in the production-processes of agriculture such as purchase of inputs; sale of output; improvement in land; development of agriculture etc. Its right quantity and right kind contribute to agriculture development immensely. It consists in enlarging the net cultivable area by bringing waste and fellow land under cultivation, providing the manure and chemical fertilizers, protection of land, the provision of irrigation, making large amount of fixed and working capital available to agriculture, changing farm organizations, enlarging its share of gross national product and increasing labour returns in agriculture. Adequate and timely finance enhances the withholding capacity cultivators and their bargaining position- with the increase in the holding capacity of the cultivators, the huge post-harvest market glut may be avoided. A major factor in lowering the agricultural prices just after the harvest right type of credit penetrates into agriculture and injects and element of healthy competition and concrete commercial calculations in farm operations. It turns agriculture into a way of living as distinct from is way of life. Credit thus, supports the farmers as the hangmen's rope supports the hanged.

Finance must be provided first and foremost if we want to increase the production in the shorter time. It will enable the farmers to buy more labour, saving equipment more seeds and more fertilizers.

Further, finance plays an important role in agricultural sector due to seasonal and traditional character of agricultural but the consumption character of farmer has steady pattern. This necessitate that either farmers should have saving from the previous harvest or borrow against a future harvest. Mellor correctly opines, “The demand for credit arise largely from the seasonal cycle of agricultural production which is superimposed on a largely perpetual and steady pattern of continuous consumption.

Finance to agriculture participates actively and intensively in the development of agriculture. Because it assists in the financing of activities connected with the production, supply, transport and distribution of inputs for agricultural production, marketing and storage of agricultural produce, farm mechanization, animal husbandry, forestry and all other activities connected with agriculture. The credit support extended by banks in the field of agriculture encompasses short-term crop loans for raising crops, and medium and long-term loans for financing production and development needs. Agricultural finance helps to a great extent in the modernizing agriculture, augmenting production and improving the economic condition of the small and marginal farmers. The implementation of land reforms and recent green revolution has necessitated timely and adequate financial investment in agricultural operations. The agricultural finance, thus, helpful in:-

a) To increase agricultural production;

b) To fill up the existing credit gap in the field of agricultural;

c) To assist cultivators in adopting modern methods of cultivation;

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d) To fulfill the credit requirement of the agricultural sectors.

The financial support to small farmers enables them to become viable cultivators. For instance, in areas where the subsoil the water level is high due to these small cultivators must be supported by the adequate finance so as to convert his dry holding into wet holding. With a pump set loan, the cultivators can change the cropping pattern into double or even multiple cropping activity.

Agricultural finance, thus, is a nucleus of the system of farm operations. It provides a flow to the system averting ruin which would have occurred due to the lack of monetary capacity of a farmer Adequate and timely credit for the farmer may be a vital and indispensable for the rehabilitation and progress of agriculture.

Types of Agricultural Finance

Agricultural finance can be classified into various forms such as period-wise, purpose-wise, security-wise and credit-wise. Every type of credit is interlinked and interrelated with each other. The agricultural finance is classified as under:

1. Period-wise Agricultural Credit

According to period-wise credit, the agricultural finance is classified on the basis of length of time for which credit is required. It is also related to the anticipated gestation period of the proposed investment in the farm required to be financed by the lending agency. Accordingly agricultural finance has been classified as under:

a) Short-term credit (One to fifteen months)

b) Medium-term credit (Fifteen months to five years)

c) Long term credit (Above five years)

a) Short-Term Credit

It is also known as seasonal credit. It is provided to the farmer in the form of working capital to run their farm operations efficiently, to obtain the crop in the best possible circumstances and to hold the credit until the harvest can be sold. This type of credit is provided up to 15 months.

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b) Medium-Term Credit

This type of credit is provided to the farmers with a view to purchase livestock, farm machinery and to carryout improvements of an average duration e.g., the conversion of the system of cultivation. It is also known as intermediate credit and is provided for period more than 15 months but not more than five years.

c) Long Term Credit

The credit which is provided to the farmers to purchase land or to make permanent improvements, e.g., reclamation of new land, purchase of machines, drainage, constructions of wells embankments, and erection of livestock quarters, store houses and farm buildings, irrigation and repayment of old debts is known as long-term agricultural credit. The period of repayment of such loans is spread more than five years.

2. Purpose-wise Agricultural credit

The purpose-wise agricultural credit is classified as follows:

a) Settlement credit

b) Development credit

c) Production credit

d) Marketing credit

a) Settlement Credit

Credit required for purchase of land for a new settlement, rehabilitation, rounding off holding, construction of farm-sheds godown etc., may be termed as settlement credit.

b) Development credit

Credit which is provided for permanent improvement or development of land, such as oil conservation, leveling, proper irrigation and drainage, fencing or enclosures, the building of proper barns, shearing-shed etc., may be known as development credit.

c) Production equipment credit

As is known by its name the credit which is provided to purchase production equipments and to meet running operational expresses which are les permanent as compared to land and its improvement, is known as production equipment credit. Credit required for major implements, live stock, plantation of fruits-trees and such running expenses and involved in the payment of wages, purchase of seeds, fertilizers, fodder and other agricultural requisites, may thus be included in this category.

d) Marketing credit

The credit which is required for marketing purpose such as proper storage, transport and disposal etc., is known as marketing credit.

3. Security-wise credit

Every lending agency is always been to secure the repayment of loans advanced by it safety of funds is their watch-word. Thus, from security point of view credit is classified under three heads.

(a) Real or mortgage credit

(b) Chattel and collateral credit

(c) Personal credit

(a) Real or mortgage credit

Loans secured by farm mortgage or mortgage of immovable property are the real or mortgage credit.

(b) Chattels and Collateral credit

Credit which to given to the farmers on the security of livestock or crops or a warehouse receipt comes under the category credit.

c) Personal credit

This type of credit is generally based on the character and repaying capacity of the borrower and not on any tangible asset. Short-terms and medium-terms loans are made on personal and collateral security respectively.

4. Creditors-wise credit

This type of credit is based on creditor and credit giving agency. Accordingly agricultural credit has been classified into two types as given bellow:

(a) Organized or Institutional Credit

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(b) Unorganized or Private Credit

a) Organized Credit

Organized or institutional credit is governed by proper code of conduct and is intended to be conducive for development. The main task before organized credit agency is to completely replace the unorganized credit which is exploitive. This, in term, has led to a great bearing on the magnitude of demand for agriculture finance.

b) Unorganized or Private Credit

Credit which is provided by the unorganized sector e.g.- money lenders, indigenous, bankers, traders, land lords, friends and relatives etc. is known as private credit. This type of credit is not governed by any code of conduct and has been generally found to the exploitative.

Agricultural finance having its different types from theoretical point of view but it fulfills same purpose of agricultural development and growth from the practical point of view.

Need of Agricultural Finance

Farmers need money for many purposes because they have not adequate source of finance. Some of them can be enumerated as under:

2 To purchase seeds, manure and fertilizer.

3 To purchase bullocks and other cattle to continue the traditional agriculture.

4 To purchase of land, implements of farm, machinery.

5 To develop the irrigation facilities through sinking of new wells renovation of old wells installation of pump sets tube- well, installation of lift irrigation system on rivers etc.

6 To meet cultivation expenses where they employs labour, plaughing the farms and threshing the harvest.

7 To undertake land reclamation and development works, soil and moisture conservation works land-leveling, land shaping.

8 To lay out field channels and drainage.

9 To construct the farm structures such as cattle-shed, silo-pits, cold storages, fencing, gobar gas plants etc.

10 To pay land-revenue and other charges.

11 To maintains of irrigation resources.

12 To repair and maintain of implements.

13 To meet litigation expenses.

14 To meet the unexpected expenditure on illness, religious festivals and for disasters like crop failure as no surplus from current income and generally available.

The quantity of finance, which is granted to the farmers, should be such that it promotes agricultural development. The old proverb “Credit is a Hangman role” is to be replaced by a new once “Credit server as an elevator.” Agricultural finance is no longer viewed as an instrument of causing the extinction of the farmers. On the contrary, it is visualized as an economic lenders helping in the upliftment of the poor peasantry.

Objectives of the Study

1. To study the role of SCBs in agriculture developments in Haryana.
2. To evaluate the performance of SCBs in providing agricultural finance.
3. To analysis the trends of agricultural finance and agriculture development.

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this we will study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology. In the research methodology of our study, we have taken the following steps:

Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The present research work has been carried out to agricultural finance growth of SCBs in Haryana. So the present study is exploratory in nature for it seeks to discover the new ideas, insight and brings out new relationships.

Data Collection

The present study is based only on the secondary data has been used. The required data has been collected from the following sources:-

1. Economic survey of Haryana from year 1999 to 2012.
2. CMIE of money and banking 1998 to 2012.
3. CMIE of Agriculture 1998 to 2012.
4. Statistical abstract of Haryana from year 1999 to 2012.

Period of Study

The amount of work is always limited by shortage of time and resources in most of the research works. The period of last 15 years from 1997 to 2012 and latest is taken for the present study.

Analysis of Data

Various statistical tools such as tabulation, percentage, ratio analysis, average growth rate, graphs and diagrams have been used for the purpose of analyzing the financial data in present study.

Limitations of the Study

1. It covers only the period of 1997 to 2012.
2. The limitation of secondary data also applies to the study.

Plan of the Study

The whole study has been divided into five chapters

Chapter 1 : Introduction

Chapter 2 : Review of Literature

Chapter 3 : Agriculture development in Haryana

Chapter 4 : Scheduled Commercial Banks Credit to Agriculture

Chapter 5 : Finding and Suggestions

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Chapter - 2

Review of Literature

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Review of Earlier studies

In the research, the review of literature has an important place, because it justifies the topic and field for the investigations, objectives and problems to be taken by the researcher. Moreover, it is helpful in discussing the results of the present study. Therefore, this chapter is devoted to the study of literature relating to the field of the study. The researcher has made an attempt to do the exhaustive review of literature pertaining to the researches already made in the field of the role of Banks by the different renowned scholars and experts in India. The survey of literature plays an important role in establishing the backdrop for any research work. It is felt that justification of the present study can be clarified by reviewing the available literature on the subject to find out gaps of research before selecting finally the present topic for study.

Role of banking system in agriculture and non-agriculture finance as well as its impact on agricultural and socio-economic development and transformation of rural society has swelled the literatures since very beginning. As Assessment Survey and Evaluation Committee constituted by the government of India on I.A.D.P. (Indian Agriculture Development Programme) in 1965 reported that the farmers having the land holdings of above 2 hectares utilized 66 percent of total loan for agricultural purposes while in case of farmers with holding below one hectare and between 1 to 2 hectares it was 33 percent and 52 percent respectively. A study group appointed by the National Credit Council estimated in 1968 that during 1968-69 alone 30 percent of the total credit requirements for agriculture were met by institutional credit agencies. During 1971-72 co-operatives, which continued to be the main institutional source for rural credit, advanced loans to agriculture amounting Rs.779 crores to about 1.17 crore farmers. The All India Rural Credit Review Committee has estimated in 1971 that the total requirements of short terms credit as 2000 crores for 1973-74 of medium and long term credit as 2000 crores for entire fourth plan period. In 1971, central government setup small farmer's development agencies and various projects for marginal farmers and agricultural labourers to lay stress on their development with provision of credit through co-operatives.

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The first report on agricultural finance was released by all India Rural Credit Survey committee in 1969. The entry of commercial banks into the field of agricultural finance began with the recommendations made by the committee. The committee in its survey found that unorganized financial sector i.e. money lender, traders and commission agents, land lords, relatives and others, accounted for a major portion (92.7%) in fulfillment of the financial requirements of the farmers and organized financial institutions i.e. co-operative banks, commercial banks and government etc. accounted for a minor portion (7.3%). The committee made its recommendations to fulfill the financial requirements of the farmers through the organized banking sector because the unorganized sector changes an exorbitant rate of interest and is indulges in dubious practices. In its report the committee had made it clear that cooperatives have failed but succeed for the development of agriculture and therefore the commercial banks are required to come forward the effective implementation of various schemes by providing required financial assistance. Thus due to low progress of cooperative, the governments were left with the other alternative than to force the commercial banks as it were to render direct assistance to agricultural sector.

K. Hunumantha Rao and K. Jayasree (2004-06) conducted a study on the "Banking Sector Reforms and Credit Flow to Agriculture." They conducted a study it is observed that the share of agriculture in the total bank credit had fallen from about 18 percent in 80 to 15 percent in 1990-91 and was about 10 percent in 2000-01. However, this trend is showing signs of recovery in the current decade party on account of successful efforts in doubling the agriculture credit in three year period (2004 to 2006). Thus, the target for flow of credit to agriculture was not achieved. The priority sector lending was close to the stipulated norm and perhaps the enlargement of the scope under 'priority sector' for financing could be responsible for this achievement. The CD ratios have been increasing which is a welcome sign but these ratios differ widely across regions/states confirming the view that the regional variations in credit flow have been widening and depending. The SCBS (both public and private banks) have been evincing been interest in lending to non-agriculture activities within the priority sector category. The rise in the share of indirect finance to agriculture in the recent past indicates that bankers are more willing to finance the allied activities such as dairy, piggery, poultry and fisheries perhaps due to their demand and viability. There is also an increasing tendency on the part of SBSs to shift the lending priority from production credit to investment credit.

Puneet Verma and Nitin Kumar (2004-05) conducted a study on the "A study on Agricultural Output Behavior in India". They conducted a study it is observed that the relationship between agriculture and GDP growth rates was strong up to 1990's which weakened subsequently, due to decline in its share in overall GDP. The relationship between agriculture output and agriculture credit is not linear and unstable for the entire period of study. We found at least for one year (year 1987-88) a structural change year in the series of agriculture output corresponding to agriculture credit. This may be because of accrued effect of government policies during last few years. It may also be concluded from the study that the earlier dataset (1970-71 to 1987-88) before structural change is giving an adequate linear fit, though for the later period (1987-88 to 2004-05) we were not in a position to get a good fit. For the later period the pattern is not stables, which may be because of existence of more than one structural change or absence of relevant variables' and hence this period requires further study.

Antony, Valasamma (2004), revealed that the gross NPAs of nationalized commercial banks alone as reported in the Lok Shabha on 11-03-2003 were of Rs. 51470 crores while the gross NPAs for all the public sector financial institutions together stood as Rs. 71000 crores. The PNB appears with the second highest amount of NPAs of Rs. 4140 crores i.e., 14.77 percent of total advances. It is a matter of great distress that even co-operative banks are groaning under the weight of mounting bad debts. By January 2003, NPAs of urban co-operative banks have stood 22 percent of the total advances. It has to be stated that Rs. 11471 crores of investor's money has turned into NPAs in these banks.

The NPAs of commercial banks Rs. 54000 crores as on 31st March 2001, have been divided between the priority & non-priority sectors for Rs. 28525 crores (53.30%) and Rs. 25475 crores (46.70%) respectively. According to the report of the Parliamentary Standing Committee on agriculture, recovery of direct agriculture advances constituted 69 percent up to June 2001. NPAs in this sector were only 13.84 percent as against to

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18.73 percent in SSI. NPAs in total priority sectors were reported 44.49 percent in comparison to 53.54 percent in non-priority sectors.

Erral (2002), conducted a study that was based on the secondary data for the period 1969-97. The study concluded that profitability of the public sector banks in the decade of the 1990s was much lower than that of private sector banks and foreign banks. Net profits, as a percentage of working funds were 0.21 percent for the decade of the nineties for the public sector banks as a whole. The figure of the public sector banks is much lower than the 0.89 percent for private sector banks and 0.94 percent for foreign banks. The net profits of the nationalised banks were negative in 1992-93 and 1993-94, as they had to adopt the new norms of asset classification and income recognition.

For the private and foreign banks jointly the growth rate of operating expenses was 18.82 percent in the latter half of the 1990s compared to 10.32 percent for all the public sector banks. Moreover, the growth rate of working funds (deposits) of the private and foreign banks jointly was 27.02 percent, which is higher than that of the public sector banks (14.58%).

During 1995-96, the share of public sector banks in total deposits was 85.43 percent, which has declined to 81.90 percent in 1999-2000. As far as the turnover per employee is concerned, it has increased 3.1 times for the nationalised banks, 9.3 times for the private banks and 4.4 times for the foreign banks during the decade (1990-2000). It has also pointed out that amongst commercial banks the employment growth rate for the period 1990-95 was recorded as 1.21 percent which was declined to -0.27 percent during 1995-2000 as they have sought to downsize.

The study also depicted that the efficiency of the public sector banks has declined during the 1990's. Though the turnover/employee ratio of the public sector banks improved, the ratio for the private and foreign banks doubled relative to that of public sector banks. The profitability of the public sector banks has improved in comparison to the private and foreign banks, however, they have lost ground in their ability to attract deposits at favorable interest rates, in technological up-gradation, and in staffing and employment practices, which have implications for their long-term profitability.

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Satyasai and Patil (2002), revealed that the National Bank of Agriculture and Rural Development (NABARD) was established as an apex body for rural credit. The bank submitted his report in July 2001. Evidence shows that increased demand for credit has driven people to borrow more from private moneylenders at high rate of interest. We are thus caught in a situation where the institutional credit agencies (supply side) do not respond adequately to the demand for credit and the clientele (demand side) does not have the desired access to it.

Satyasai and Patil (2002), revealed that the National Bank of Agriculture and Rural Development (NABARD) was established as an apex body for rural credit. The bank submitted his report in July 2001. Evidence shows that increased demand for credit has driven people to borrow more from private money lenders at high rate of interest. We are thus caught in a situation where the institution credit agencies (supply side) do not have the desired, access to it.

Chowdhury and Prabuddha (2001), conducted a study that was based on both of primary and secondary data. According to the objectives, a questionnaire was evolved and tested to collect the primary data from the respondents. The study revealed that co-operative banks have sanctioned 61 percent and 39 percent cases for agriculture and non-agriculture sectors out of total sanctioned cases respectively.

This study also indicated that the agriculture sector got 68.97 percent amount of the total sanctioned loans. The co-operative banks have also inherited an age-old discriminatory gender bias against the women .So they have sanctioned only a tiny amount as low as 12.01 percent of the total amount of loans sanctioned

As far as defaulter in repayment is concerned it has been noted that agriculture sector have 24.59 percent cases while in non-agriculture sector defaulted cases come out to be 51.28 percent. From the above comparison we can say that rate of defaulting is more than double in the non- agriculture sector than agriculture sector.

In the agriculture sector 54.10 percent respondents have repaid the total amount (lowest interest) of loan as against to 17.95 percents in non-agriculture sector. This breaks up the myth that loan recipients of agriculture sector are defaulters in repayment.

Kamesam (2001), revealed that as a significant part of the multi–agency approach to credit delivery in India, co-operative banks, both in the short-term and long–term structure held an important position especially in the rural credit scenario and have played a pivotal role in the development of rural credit over the years. The geographical spread of the entire co-operative credit system covers over 74 percent of rural credit outlets and it has a market share of about 46 percent of total rural credit in the country, while its gross NPAs are 19.19 percent.

Shaban (2001) conducted a study that was based on secondary data for the time period 1969-97. The study revealed that since the nationalisation of major banks in July 1969, there has been tremendous growth in regional spread of bank branches, mobilisation of deposits and disbursement of credit. In June 1969, there were 8187 bank offices of commercial banks; they increased to 63534 in March 1997.

Southern region had about 36 percent of the total bank offices in India in June 1969, it declined to about 27 percent in March 1997. The share of western region which was about 24 percent of the total bank offices in June 1969, declined to 15 percent in March 1997. The northern, north eastern and central regions had a share of about 15 percent in 1969, which declined to about 13 percent in 1997. Their respective shares of total bank offices in India increased to about 16 percent in June 1969 to 21 percent in March 1997. In northern region, 21.70 percent of its total bank offices were rural bank offices in June1969; it increased to 55.70 percent in March 1991 but declined to 50.70 percent in March 1997. Similar is the trend of growth of rural offices in almost all the states and UTs.

The total commercial banks deposits in June 1969 were Rs.4665 crores, it increased to Rs.49227 crores in March 1997. The share of rural deposits to the total deposits was only 3.1 percent in June 1969 at the national level. It increased to 15.50 percent in March 1991, but declined to 14.70 percent in March 1997. Thus in comparison to their shares of bank offices, the shares of the total deposits of rural areas have been very small. This shows that the spread to bank offices has not been able to influence the deposit mobiliser to a greater extent in rural areas. Similar is the condition in almost all regions/states/UTs. The western region, the greatest mobiliser of total deposits, has only

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7.3 percent of its deposits mobilized from rural areas in March 1997. The shares of rural deposits to the total deposits in northern, eastern, north eastern and central states/UTs have been generally higher than the shares of rural deposits in the western and southern states /UTs over the years.

The bank credit which was Rs.3609 crores at the national level in June 1969, increased 1.76 times by June 1973, 4.21 times between 1973 to 1991, 4.62 times between 1981 to 1991. But, in 1991 to 1997 it has increased only 2.72 times, showing a slowdown in credit disbursement. The share of southern and western regions in March 1997 has reached to about 60 percent of the total credit advanced in the country. The share of northeastern region in the total credit advanced in the country has been below 0.01 percent over the years. It is just in contrast to the fact that Maharashtra alone has had a share of 25 percent on an average of the total credit advanced in the country by commercial banks over the years. In all the regions of the country, except north eastern and central regions, the shares of total credit disbursed in rural areas have been below 16 percent over the years. Of the total credit disbursed in western region, the share of rural areas has been well below 7.5 percent over the years and below 16 percent in southern and northern regions.

The study also depicted that credit-deposit ratio has in general declined over the years in India. In June 1969, the ratio was 0.77; it declined 0.57 in March 1997. The highest credit-deposit ratio in June 1969 was in southern region (0.95), it declined to 0.76 in March 1997. The lowest credit-deposit ratios have been in northeastern states, followed by the states of eastern and central regions over the years. The rural credit-deposit ratios have consistently improved till 1991, but have slackened in 1997. The credit-deposit ratio was 0.37 in 1969, increased to 0.60 in 1991, but declined to 0.45 in 1997. The rural credit-deposit ratios in the states/ UTs of western and southern regions have generally been higher than the states/UTs of the other regions. In all the regions, the credit deposit ratio in rural areas has improved over the years but in central region it has shown a declining trend. In almost all the states/ UTs, except southern region, the credit-deposit ratio in rural areas has been below 0.50 in March 1997.

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Satpal (2001) conducted a study that was based on secondary data as well as primary data. The study revealed that most of the customers were dealing with the bank directly and most of them; both in urban and rural areas have opened their saving accounts. No facility of gift cheque and travelers cheque had been availed to the customers. Locker facility was also available to only some respondents.

Only 45 percent respondents were availed the business and other loan services. As 60 percent of the respondents have faced difficulty in opening their accounts, 67 percent respondents in urban areas and 45 percent in rural areas were dissatisfied regarding passbook entries. In the urban area only 46 percent respondents reported that bank employees welcome them with a smile. For the staff of rural area branches deserves congratulations. Only 25 percent respondents in rural areas were satisfied with the availability of information counter in the bank. In the urban areas 67 percent respondents had a complaint regarding non-arrangement of immediate payment when they required it. Most of the respondents were not satisfied with the time, which bank employees take in withdrawing the money. 84 percent respondents reported that proper punctuality & availability of bank staffs was proper.

Nair (2000), conducted a study that was based on secondary data. The study revealed that one of the major objectives of the nationalization of Indian commercial Banks (in two spurts in (1969-1980) was to improve the flow of formal institutional credit into rural households, especially to the poor, thus relieving them from the burden of usurious debt. The RBI stipulation subsequent to nationalization that commercial banks should earmark at least 40 percent at their advances for the priority sectors (of which 18 percent for agriculture and 10 percent for weaker sections) was an important step in the direction of asserting the developmental role of banks. In addition, they launched the largest ever anti-poverty programme.

Bank credit in the rural sector is increasing from 156 crores in 1969 to 33031 crores in 1998. The targets for anti-poverty are achieved to an extent mainly because the banks have been compelled to do so. The formal sector's thrust even within the priority sector lending frame-work has been on productive activities, whereas the poor (large majority of who are landless and non-cultivators) need credit mainly for financing income-

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consumption gap or tiding over occasional crises and emergencies. Obviously, the need, terms and modes of delivery do not match. This could well be the reason for the increased dependence of rural people, more markedly of the non-cultivators, on informal credit sources like traders, contractors and money lenders.

Baiju and Gabriel (2000), revealed that the most crucial factor that governs the performance of banks is spotting their non-performing assets close to 16 percent of loan made by Indian banks are NPAs which was around 23 percent in 1991. This is very high as compared to the corresponding 5 percent in the banking system of advanced countries. In India, external factors like raw material shortage, price escalation, power shortage, industrial recession, excess capacities and natural calamities like flood and accidents have also contributed to the mounting NPAs in the books of banks. Figures for the year 1998 revealed that public sector banks in India has 84 percent of their advances in the form of standard assets while the doubtful assets came to 9.10 percent, ultimately 16 percent of the advances were declared as NPAs. For the purpose of analysis, numbers of banks with gross NPAs percentage of 5 or below (International Standard) have been categorized as “very good”. Banks with gross NPAs percentage of 16 (National Average) or less but above 5 have been categorized as “good”. Banks with gross NPAs percentage above 16 percent but below 20 percent have been categorized as “bad”. Banks with gross NPAs of 20 percent and above have been categorized as “worst”. While PNB’s net NPAs were 9.57 percent in 1998 and 8.56 percent in 1999. Among the 19 nationalized banks none of the banks were graded as “very good” and 10 and 6 banks was categorized as “worst” in the years 1996 and 1998 respectively. Among the nationalized banks 11 banks that met the Capital Adequacy Ratio (CAR) of 8 percent in the year 1996 and 18 banks met the CAR in year 1998.

The main reason of high NPAs in India, has been that the borrowers borrow for one purpose and utilise for another, so that repayment is bound to be affected, a strong banking culture where diversion of funds and default in repayment will never be tolerated even to the smallest possible extend, ought to be developed. Secruiting of proposals and monitoring of usage should be more stringent for huge loans as they contribute to a major chunk of our NPAs.

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Shivamaggi (2000), revealed that on the whole, it has to be admitted that the Indian policy-makers have not been able to arrive at a banking structure and operational system which suit the credit and saving needs of agriculturist and at the same time promote modern agriculture. But the overall annual agricultural growth rate, which was 5.2 percent in the eighties, fell to 2.6 percent in the nineties. In the case of food grain the annual growth rate has fallen from 3.4 percent to 1.7 percent during the same period. It is pertinent to note that between, 1992 to 97 only 8 percent of the total public investment devoted to agriculture and the actual investment in this sector fell about 40 percent short of the planned level.

The development strategy adopted and the increasing diversification and commercialization of agriculture and allied activities underline the need for the rapid development of rural infrastructure and a large flow of credit. Though there is a multi-agency set up for rural banking, nearly 45 percent of rural credit comes from co-operatives. But the commercial banks are an important source of credits; nearly they meet 49.20 percent of rural credit and the primary credit societies hold the key to success.

The policy makers are now focusing on technology led banking system in the rural sector. This requires a restructuring of cooperatives to enable them to meet the challenges of the competition. It also requires a change in mindset. Progressive farmers have no difficulty in obtaining credit from the commercial banks. Credit for the poorer households is the real problem. One recent development under the leadership of NABARD and Non-Government Organisations (NGOs) is the formation of informal, Self-Help Groups (SHGs) broadly on the model of the ‘gramen banks’ of Bangladesh. The mutual trust reflected in the SHGs working is in tune with the true spirit of cooperation.

Tara Nair (2000), conducted a study that was based on secondary data. The study revealed that one of the major objectives of the nationalization of Indian Commercial Banks (in two spurts in 1969&1980) was to improve the flow of formal institutional credit into rural households, especially to the poor, thus relieving them from the burden of usurious debt. The RBI stipulation subsequent to nationalization that Commercial

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Banks (CBs) should earmark at least 40 percent at their advances for the priority sectors (of which 18 percent for agriculture and 10 percent for weaker sections) was an important step in the direction of asserting the developmental role of banks. In addition, they launched the largest ever anti-poverty programme.

Bank credit in the rural sector is increasing from 156 crores in 1969 to 33031 crores in 1998. The targets for anti-poverty are achieved to an extent mainly because the banks have been compelled to do so. The formal sector’s thrust even within the priority sector lending frame-work has been on productive activities, whereas the poor (large majority of who are landless and non-cultivators) need credit mainly for financing income-consumption gap or tiding over occasional crises and emergencies. Obviously, the need, terms and modes of delivery do not match. This could well be the reason for the increased dependence of rural people, more markedly of the non-cultivators, on informal credit sources like traders, contractors and moneylenders.

Satyasai and Badatya (2000), conducted a study that was based on secondary data. The study revealed that Rural Credit Co-operative Institutions (RCCIs) have emerged as one of the key players in the field of rural credit. In the long term structure accounting for more than two–thirds of the rural credit outlets throughout the country. Out of the total credit disbursed during the year 1996–97, the share of co–operatives was 49 percent, i.e., about half of the total credit disbursed. The share of commercial banks and regional rural banks jointly was 51percent. In other words, co-operatives still constitute a dominant segment of the rural credit market

Out of the total working funds of PACS, owned funds that accounted for about 42.10 percent in 1950-51 declined to 20.50 percent in 1994-95. During the period the owned funds for DCCBs and SCBs also decreased, but marginally from 14.10 percent to 10.10 percent and 11percent to 9.6 percent respectively. This continuous decline in the share of owned funds in the total resources of the institutions has become a cause for concern. It obstructs their attempt to become self-reliant. In view of the ever–increasing demand for rural credit, augmenting the share capital and thus strengthening the owned funds is strongly warranted.

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The share of borrowing in the working funds of PACS has gone up from 46.90 percent in 1950-51 to 58.10 percent in 1994-95. During the period, the shares of borrowings in the total resources of DCCBs and SCBs have also gone up from 17.60 percent to 26.30 percent and 24.80 percent to 32.50 percent respectively. Cost of the co-operative structure per Rs.100 of loans at PACS level was lowest for Haryana as Rs.4.90 and highest for Bihar as Rs.79.90. The estimates of cost inefficiency indicated that Andhra Pradesh is operating at highest level of inefficiency incurring costs 2.34 times followed by Madhya Pardesh incurring cost 2.21times. Haryana, west Bengal and Utter Pardesh are in the higher runs of the costs efficiency.

In some cases the co-operatives are totally under the control of the registrar of co-operative's societies of the state. Such regulations created obstacles in the proper management of the institutions, thus stifling initiative different levels. Added to this, the increasing political interference also has adverse implications for loan discipline. The recovery performance as percent to demand for DCCBs at all India level was 70 percent. Bihar and Punjab are at the two extremes with recovery 11 percent and 89 percent respectively.

The aggregate NPAs of CCBs estimated 17.80 percent of their outstanding loans and advances as at the end March 1998. Out of 254 reporting CCBs, 132 have NPAs between 5-20 percent and 91 above 20 percent of the outstanding loans and advances. Study also shows that there has been continuous decline in the share of owned funds in the total resources of the institutions. The deposit mobilised by higher tiers in the short-term structure are mobilised by way of statutory deposits from lower tiers rather than deposits mobilised through their own efforts. There is a serious imbalance in the growth of resources vis-à-vis lending among different tiers. The growth at the level of PACS has decelerated faster compared to that of the other two tiers. The co-operative system in general failed to perform its functions; a few success stories here and they're notwithstanding.

Bhagawati (2000) revealed that the proportion of deposits from the rural areas has been shrinking, while metropolitan centers have been increasing. The priority lending proportion has gone down slightly. The proportion of current deposits in banks has gone

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down, while savings deposits have gone up. The non-performing assets ratio is coming down primarily because assets are increasing at a high rate due to high rate of growth of deposit liabilities. A good portion of NPAs is connected with industry and with priority lending. Since the prime lending is falling sharply.

There were discussions on the profitability and productivity of banks. The entry of new banks like the UTI bank, the closing down of certain existing branches of old banks and poor consumer services, the functioning of new types of rural financial institutions to cope with the problem of interlinked credit and exploitation of agricultural labours requires the setting up of a general equilibrium model involving labourers, landlords and rural financial institutions. Though the promotion of small savings and share holdings by landlords, these institutions it was suggested, could make themselves self-sufficient and lead to payment of efficiency wages to workers.

Puhazhendhi and Jayaraman (1999), conducted a study that was based on secondary data. The study revealed that credit will continue to play a crucial role in securing the objectives of high growth rate, doubling of food grain production in the next decade, eradication of poverty and unemployment, especially of women, development of rain fed areas on a watershed basis, etc. There is found a declining trend in the priority sector lending, whose share had declined from a peak of 49 percent to 41.70 percent in March 1997. Credit acts as a facilitator and it performs the important function of providing the farmers with the requisite control over resources affecting production. The annual growth rate of food grains during the last three decades worked out to 2.67 percent. Optimum use of material inputs, especially irrigation and fertilizers is a necessary condition for improving the production and productivity of crops. The share of area irrigated by wells (tubewells and other wells) in the net irrigated area increased from 38.10 percent in 1970-71 to 52.90 percent in 1992-93, mainly due to bank credit. It is difficult to establish a direct relationship between credit and output as the former facilitates the adoption of technology and the level of inputs usage that in turn directly influence the production performance. The promotion of the rural non-farm sector through credit has come to be increasingly recognised as an alternative to providing employment and income generation, due to the failure of agriculture sector to absorb the rapidly increasing labour-force in the rural areas. The growth rates computed for the two periods indicated that like in the case of agricultural loans, there was a deceleration from 14.30 percent (1973 to 1982) to 12.60 percent (1983 to 1995). Accordingly, the estimated credit demand for agricultural development can be placed at Rs.46000 crores in 1997-98 and Rs. 54300 crores in 2002-03. The estimated credit flow in the terminal year of Eighth plan (1996-97) was of the order of Rs.26000 crores. Hence, the additional resources gap will be Rs.20000 crores in 1997-98 and Rs.28300 crores in 2002-03.

Rajeev and Sharmistha (1998), conducted a study that was mainly based on primary data. The results were based on a pilot survey. It is noteworthy that in 1977-78, West Bengal was among the six-states where credit per hectare ranged between Rs.110 and Rs.178, whereas the same for other states like Kerala was (Rs.343) followed by Tamil Nadu (Rs.341) Punjab (Rs.273) and Haryana (Rs.234). The study revealed that land reform induced a redistribution of land holdings in favour of small and marginal farmers; an efficient credit system benefiting the small and marginal farmers is an important prerequisite for growth in agricultural production. Even though, all the rural credit survey committees have repeatedly argued for a strong institutional credit base, especially for the weaker sections.

The study also depicted that it is a fact that the private moneylenders have mostly met the bulk of the rural credit. However, that accounted only for 7.30 percent of the total estimated credit requirement of the agriculture sector, the rest of which was met by the village moneylenders. A decade later, a survey taken up by the Reserve Bank of India (RBI) clearly pointed out that credit from co-operative societies had increased from 3.10 percent to 15.50 percent but the private moneylenders still remained a principal source of credit. In the study, 27 percent of the households took loans from the commercial banks; 85 percent took loans from co-operative banks; 85 percent of the households depend on non-institutional sources; 82 percent took both institutional as well as non-institutional credit.

Village moneylenders and landlords (who are non-traders) also remained a source of credit. However, the study further depicted that 90 percent of their credits are non-

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agricultural, mainly consumption loans for marriage etc. The dominant position of the moneylenders after independence was due to two basic facts: the weak financial position of most of the borrowers and requirements of credit in small amount for urgent but unpredictable needs, to which the moneylenders had completely adapted. The co-operatives and the government supplied credit for specific purposes, whereas the requirements of the borrowers were largely for family purpose. Also, it is important to note that the top 15 percent of the households mops up 50 percent of the total credit. However, in this area, loans from the co-operative banks seem to be much more widespread only 15 percent of the households are not covered by these credit facilities. In addition, the positive aspects of the co-operative banks revealed a need to take a fresh look at the co-operative movement in order to bring about essential changes and strengthen this type of financial institutions.

Satyasai and Viswanathan (1998), conducted a study that was based on secondary data. The study revealed that the co-operative system in the country needs restructuring in view of the changing demand pattern for rural credit, higher expectations from the co-operatives which are expected to provide quick and quality service and to enable them to be viable and vibrant. A review of the experience of Andhra Pradesh (1986-87), found that the flow of short-term and long-term loans is higher during the post-integration period than what would have been possible had there been no integration. The ratio between short-term and long-term loan was averaged 1.3 during the post-integration period.

During the 15-years period, the co-operative system in the state incurred losses in the aggregate and the losses mounted overtime. The study showed that the recovery levels did not grow at the same pace as the demand. As a result, the overdues as a proportion of demand increased from an average level of 43 percent in the pre-integration period to about 50 percent in the post-integration period. This trend may have to be ascribed largely to the agricultural and rural debt relief (ARDR) scheme, which shows its impact on recovery. But, bad debts of the co-operatives in absolute terms as well as relative to working capital and loans outstanding showed declining trend.

Singh Panday and Singh (1998) examined the structure of rural credit and rural credit agencies, utilization pattern, extent of repayment and indebtedness of tribal farmers. In the study it is concluded that institutional agencies are functioning well compared to formal credit agencies. However there is urgent need to modify the credit policy of institutional agencies in providing non-agricultural loans to the farmers. Special attention is also required to improve the recovery performance through policy.

Bhayan (1997) made an attempt to study the credit utilization pattern and repayment performance among the selected beneficiaries of IRDP of Darrang district of Assam. From the study it was found that more than half (60%) of respondent completely utilized the credit. The percentage of partial utilization and complete diversion was same. It indicated that the credit was not properly used as 40 percent of the credit was used for the purpose for which it was sanctioned. The repayment performance of the credit was also not satisfactory. Credit should be sanctioned for schemes of the loan. Efforts should also be made to make the loan available in time which should be followed by proper follow up.

Agrawal, Puhazhendhi and Satyasai (1997), conducted a study that was based on secondary data. The study revealed that marginal and small farmers are still dependent on non-institutional sources for as much as half of their credit needs. Out of the total short-term credit disbursed, share of co-operative decline from 87 percent in 1973-74 to 60 percent in 1994–95. During this period the share of commercial banks increased from 13 percent to 34 percent. In terms of outstanding credit the share of commercial banks increased from about 18 percent to about 60 percent during 1973-74. During the same period, share of co-operatives declined from about 82 percent to about 33 percent.

The formal credit institutions in 1994-95 have covered about 36 percent of the cost of inputs. However, farmers have to depend on other sources of credit including own savings to meet two-thirds of the cost of material inputs. So that in the 21^{st} century, market will drive economy with capital-intensive technology may prepare increased demand for credit in agriculture and rural development. While on the other hand, rural financial institutions (RFIs) may assign lower priority to rural credit that is believed to endanger their viability. This situation may lead to restricting the reach of credit to the poor. Further, re-emphasising the priority sector lending will provide for higher share of credit to rural poor. A fundamental rethinking about the rural credit organisation may have to be done.

Mujumdar (1997), conducted a study that was based on secondary data. The study revealed that Public Sector Banks (PSB) defaulted on the priority sector target of 40 percent of net bank credit and also on the sub- target of credit to agriculture of 18 percent. The share of priority sectors advances declined from nearly 41 percent in the pre-reform period to some 37 percent in 1995-96. The credit–deposit ratio of rural branches, which had risen above the targeted level of 60, declined to lower than 48 in 1996. Commercial banks have account for about 40 percent of the total institutional credit to the rural sector. Co–operative financial institutions and Regional Rural Banks (RRBs) contribute about 55 percent and 15 percent of total institutional credit to the rural sector.

The incremental deposits of non-banking companies between March 1994 and March 1995 were around Rs.50, 000 crores, as compared to some Rs.47, 000 crores of incremental deposits of scheduled commercial banks during the same period. In 1995-96 of the incremental deposits of scheduled commercial banks of some Rs.70000 crores, nearly 40 percent was deployed in government securities. That is how, the investment deposit ratio for scheduled commercial banks soared to nearly 41 percent at end July 1997, while the prescribed incremental SLR was only 25 percent. This means commercial banks resources are being siphoned off from productive sectors to promote government consumption. This is indeed a travesty of commercial banking. Investment in government securities offers a 'soft option' to public sector banks because the yield of 14 percent on a zero risk and zero transition cost investment saves them the botheration of processing a large number of loan applications for small loans, monitoring repayments and taking the risks involved. Similarly, lending to NBFCs is another 'soft option' open to banks. Banks lend to NBFCs in bulk at relatively high rates of interest.

In June1997 there RBI was constrained to tighten the prudential reserve norms of NBFCs. NBFCs that were maintaining 5 percent of their deposits in government securities were required to maintain 7.5 percent and 10 percent of the deposits in these securities with effect from January and April 1998 respectively.

Satish and Gopalakrishna (1997), studied a sample of commercial of bank branches in four districts of Maharashtra to analyses the profitability of rural commercial bank branches. In the branches, in the study area, the composition of savings, current and fixed deposits accounts on an average, was in the proportion of 40 percent, 8 percent and 52 percent respectively. The cost of deposits in a typical rural branch in the area works out to 7.2 percent

The rate of interest charged by rural branches on various types of advances varies from 11.5 percent to 18 percent (excluding DRI/staff advances). However, the average yield on advances worked out to only 8.3 percent in respect of a typical rural branch on account of respondence of low yielding advances and presence of high proportion on non-performing assets. Further anlaysis revealed that this is due to loss of income on account of high proportion of non-performing assets; poor yield on advances from a large share of low yielding advances and low volume of business. The study also shows that the rural financial markets, which can have a series of unfavorable consequences, like poor distribution of loan, low repayment discipline and political interference.

Roop Chand (1996), conducted a study that was based on primary data. The primary data were collected with the help of structured three types of questionnaires from beneficiaries/loanee, employees and officers. The study revealed that maximum number of beneficiaries was satisfied with the 'procedure of making the member of co-operative societies' In case of DCCB Faridabad and minimum was in case of DCCB Gorgoan. In total 87.5 percent respondents were found happy with this procedure. While only 9 percent beneficiaries got the annual reports of the co-operative societies of which they were the members. In case of DCCB Faridabad only one beneficiary got it, whereas in case of DCCB Mohindergarh 8 members got the annual report. This was not a good thing on the part of co-operative societies and banks.

Regarding the cheques and passbook maintenance, the position was very much satisfactory in case of DCCB Faridabad, Gorgoan and Rewari. The position was bad in case of the area of DCCB Mohindergarh where 70 percent beneficiaries showed their dissatisfaction over it. Out of present members 72.5 percent members were found interested to stay as member of the co-operative societies and branches.

Surender (1995), conducted a study that was based on an intensive field-study of three villages and three PACS selected from an agriculturally developed district of Haryana. The study revealed that co-operative credit is a monopoly of the rich and the dominant persons of a village had hardly any validity in the villages studied. As per the official information, a majority of the active members in the three PACS were the non-agriculturists (57.21%) and the small farmers (26.47%). The big farmers, owning more than seven acres of land, constituted 16.31 percent. Significantly many members of the PACS (42.30%) had dead accounts.

Devi Lal, the leader of Lok Dal during his election campaign in 1986 promised waiving of all institutional loans on getting elected to power. So Mr. Sobha Ram borrowed hoping that there would be no need to return the amount. Incidentally, his loan was not waived and he had to repay it. Moreover, for the big farmers borrowing from PACS was 'status-degrading'. The secretary of PACS had this to say on the issue: For a Chaudhury to be indebted to PACS is an insult. They would not mind borrowing from a bank or from an Arhtia but being indebted to PACS is as bad as mortgaging one's land to a moneylender. These values are particularly strong among the big landowning farmers. The big farmers who borrowed from PACS, instead of using the credit, lent the amount to labourers at a monthly interest rate of two or three percent. Besides generating additional returns, this assured them of the labour supply during the peak seasons.

An important observation of the study was that many respondents were no longer members of PACS nor did they borrow from them. Though farmers owning up to 25 acres were members of PACS a large extent, around half of them were inactive. The most significant factor behind this development was the bureaucratisation of the PACS and the prevailing curruption in them. Respondents reported charges of curruption more frequently. Thus, it can be concluded that there is an inverse relationships between corruption and participation.

All complaints of corruption in PACS were against the secretaries and none against the managing committee or the president. Whenever the members borrow from the PACS they have to pay a bribe of Rs. 10 to Rs. 50 to the secretary. If the borrower refuses the bribe, the secretary delays the loans and creates other bureaucratic hurdles. The secretaries take advantage of the creditors' inability to repay the loan in time. Over period of time paying bribe becomes a routine. Some respondents had to waste four to five days in getting a loan from the PACS. There were many formalities and if one has to bribe the secretary, the whole process becomes very cheap.

Many respondents did not borrow from PACS because they did not want to get involved with 'official agency'. Small and marginal farmers expressed apprehensions that if they were unable to repay the loan in time, the police would arrest them or their land would be confiscated. Some feared losing their credit worthiness on joining the PACS. The villagers prefer their indebtedness to remain a secret. However, this is not possible. Some find it insulting that the secretary, in presence of other villagers, should ask them to return the loan. This damaged their prestige and discouraged them from borrowing again.

A majority of small/ marginal and medium farmers, who need credit for investment in crops, did not see the PACS as a viable alternative to informal sources such as Arhtias. The obvious reason for this is an absence of any kind of co-operative movement from below. PACS do not function as participatory co-operative institutions. Their image is more of a small–scale commercial bank. The new system did weaken the control the rich and powerful in the village had on the institution but it also alienated the rest. Bureaucratisation not only led to depoliticisation and corruption but also discouraged participation of those it was supposed to serve.

Hari Babu (1994), conducted a study that was based on primary data as well as secondary data. The study revealed that in the field of dairy loan, bank has made a drastic change and loan facilities were provided to small and marginal farmers and weaker sections of rural society, which increased income and employment. If these section of society having so many constraints pertaining to agricultural lending, currupt practices at branch level leads to mis-utilisation by the borrowers. Recovery position of bank was poor during 1991-92, it was to the tune of 47.50 percent. The cause for poor recovery performance was to folds the borrower and bank branch level. Percentage irrigated area was also higher during borrowing situation. It was 68.99 percent while during non-borrowing, it was 64.53 percent. It was due to bankers loaning facilities provided for private source of irrigation i.e. installations of pump sets and private tubewells.

Distribution of total loans for different purposes on the sample households showed maximum in the case of milch animals being 43.06 percent and for crop loan it stood at 36.52 percent. The study also clearly indicated that there was higher investment on total inputs during borrowing situation in comparison to non-borrowing. Therefore input-output ratio recorded as 1:1.45 during non-borrowing situation from crop production as a whole while during borrowing situation it stood as 1:1.55.

The level of employment, income and standard of living of the households during borrowing situation was higher. There was 105.66 percent increase in employment during borrowing over non-borrowing on marginal households, for small and large households it stood at 19.71 percent and 27.31 percent respectively. In this way, Lead Bank lending positively affected level of employment during borrowing situation.

There had been an increase of 36.23 percent during borrowing situation over non-borrowing in total farm business income. This was the highest being 45.36 percent on marginal households due to the fact that this group of the households had very low number of milch animals during non-borrowing situation. Thus the standard of living of the sample households was better during borrowing situation as compared to non-borrowing situation due to the generation of more family employment and income after availing credit facilities from Lead Bank.

It has been observed that there is unnecessary delay in delivery of loan, insufficient recovery, inadequate credit supply, no provision of consumption loan, unauthorised charges at different level and unsympathetic attitude of branch level official with the poor rural people. The credit advanced for irrigation structure was helped in increasing the area under irrigation, which in turn resulted in increasing the intensity of cropping and adoption of high yielding varieties. The level of investment and resources use have also been higher on the borrower farms as compared to non-borrower farms which resulted in higher production, productivity and income on the borrower farms.

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Chinnappa (1992), revealed that the co-operative bank do not put up the appearance of banks and they are conducting their business the same old outmoded way without attractive counters, name boards and charts exhibiting the rates and better margin of interest available on deposits than the commercial banks still people think that there is no safety in depositing the money with the co-operative, though there is insurance cover for the deposits like the other commercial banks. Therefore, the co-operative banks should realise that the creditability of the commercial banks lies in their decent appearance of which they are lacking. Moreover, proper service to the customers is wanting in the co-operative banks and there appears to be "don't bother me" attitude with the bank staff. The customer loses his confidence in approaching the bank to avail of its services and help his funds. It may not be a surprise to say that majority of the public is not aware of the banking business undertaken by the co-operative banks like the issue of drafts, bills, business, overdrafts facilities, acceptance of all kinds of deposits with cheques facilities, and the higher rate of interest on deposits and lesser rate of commission charged for the issue of drafts than the commercial banks. With all these constraints the co-operative banks are not in a position to mobilise deposits and build up their own funds.

In the central co-operative bank, a large number of members in the managing committee had themselves defaulted in the repayment of dues. So that bank could not take any action against them. These banks are supposed to be autonomous in character but it is more so on paper than in practice.

Verma A.K. (1991) has conducted, his research work of Haryana Kshetriay Gramin Bank under the title "Rural Development and Regional Rural Bank" in 1991. He concluded that the schemes of loan for crop, to buy bullock and camel-carts and establish poultry farms were successfully. But the applicant has to face various corruption practices, misbehavior and lack of proper guidance by the bank officials. He also concluded that bank official sometimes select non deserving candidates to achieve the given targets of loan disbursement because of low number of applications which leads to the misutilisation of loan amount. Instead of prevailing these drawbacks the schemes for agricultural and allied activities have attained the set stargets.

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Kumar R. (1991) has concluded in his study on the “Role of Punjab National Bank in the Development of Agricultural Sector” in 1990-91 that loan target to the agricultural sector has achieved 80.61 percent of its targets in the study under period.

The financial assistances provided by the bank have led to increase in the production upto 20 percent. The crop scheme was not successfully achieved by concerned bank. It could achieve 45.55 percent of its own targets during the period under study. But at last he concluded that the bank has achieved 80.61 percent of its targets during the stipulated period in accomplishing the various schemes announced by the government for the development of agriculture sector. The financial assistance provided to agricultural sector has led to the prosperity of the economy of the state by increased level of production, income and generated employment opportunities.

Bilgrami S.A.R. (1990) under the title “Rural Credit” has described that multi institutional agencies has advanced a sum of Rs. 3000 crore through the agricultural finance to the agricultural sector during 1989-90. He further considered responsible to the Primary Agricultural Credit Society to boost the agricultural co-operative movement in India. Loans advanced to the farmers by the PACs were Rs. 3149 crores during 1986-87. The loan advanced by the Land Development Banks to fill the flap in the rural credit sector and to create institutional arrangement for credit services to the farmers who were exploited by the money lenders were Rs. 552 crores during 1980-87. He also described the outstanding loan of LDB upto 1986-87 were Rs. 2829 crores. This explained the poor recovery of loan from the farmers. In regard the role of commercial banks after nationalization in the field of agriculture finance has increased manifolds. But he criticized the banks on the problem of coordination and recovery portion which hampers the effective implementation of credit schemes. He also criticized the multi-agency approach which has failed to formulate and develop meaningful agricultural credit programmes on an area approach basis. Further, this approach has developed a needless competition among the commercial banks and cooperative banks.

Singh (1990) conducted a study that was based on primary and secondary data. The study revealed that as far as the crop loan scheme is concerned, it was found that the bank could not achieve its own targets. It achieved only 44.06 percent of its own target during the said period of five years. Year wise analysis in respect of minor irrigation scheme showed a declining trend of achievement from year to year. When we saw the overall performance of the bank in respect of farm equipment, in aggregate, the bank achieved 128.50 percent of own targets during the said period.

In the financial assistance to the farmers regarding plough animals is concerned, it was found that the aggregate performance of the bank in this field is not so good, bank could achieve only 34.6 percent of its targets in all the five years. In case of land reclamation and vehicles for transportation of agriculture inputs and outputs, dairy farming and sheep/goat breeding bank achievements are good as 79.6 percent, 87.17 percent and 101.06 percent respectively. The bank could not achieve its target in respect of loan for installation of biogas plants. Its overall achievements were only 4 percent, which shows a complete failure of the scheme.

Upadhhyay (1989), revealed that having a multi-agency approach to rural credit, the credit needs of the rural households are to be meet by the banking system. In-spite of the fact that there have wide spread banking operations, the strong hold of moneylenders in the rural areas still exists. Though amount of credit to rural areas has increased by nearly 80 times, however only 14 percent of rural households were, so far, covered.

Malhotra (1989) said in RBI Newsletter that rural development is prime national objective and credit is one of the important inputs for achieving the goal. Institutional credit, which formed only 4 percent of the total credit in the rural sector, has now increased to over 62 percent.

A.S. Rana (1988) conducted a study that was based on secondary and primary data. The study revealed that the modern commercial bank, on their part, which was expected to undo the evils of indigenous bankers and moneylenders under the control and supervision of central banking, had developed monopolistic and oligopolistic tendencies and more often ignored rural areas. It shows that the share of deposits and advances of rural sector was not only quite low but their deposits had been used as advances to urban sector at the cost of advances to agricultural sector and weaker sections of rural areas.

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The study further exhibited that 40 percent of the sample population could not get access to institutional finance at all and is totally dependent upon conventional village moneylenders. There was only 10 percent of the member of weaker section who did not depend on moneylenders for their credit needs. Only 43.92 percent of the sample population could secure loan from nationalized banks, which by any standard is not adequate though it is not a bad start. On an average borrow more than 55 percent of their total debt from private moneylenders.

The role of nationalized banks in respect of the dilemma of poverty has broadly been observed to be positive. But in case of the dilemma of poverty it has been found to be positive only for the cultivators and negative for agriculture labourers. The analysis further revealed that wrong practice of nationalized banks is also responsible, to a certain extent, for their failure to become an efficient alternative source to moneylenders. Moreover, there are personal factors also, which encourage the (weaker sections) households to borrow from moneylenders instead of borrowing from nationalized banks.

Tripathi (1988) revealed that credit is a basic input for any development programme. This is particularly true for rural development, which aims to improve the standard of living of rural people as well as increase agricultural productivity.

Maheshwari (1987) conducted a study that was based on secondary and primary data. The study revealed that overall direct finance to agriculture of (20) nationalized banks were 12.9 percent at the end of March 1985 i.e. much behind the target (40 %). Moreover, individually only 3 banks could technically achieve the target by the said date. The overall percentage of weaker section credit to priority sector for all the (20) nationalized banks taken together was only 21 percent at the end of March 1985. The overall percentage of credit to weaker sections to net credit was only 8.5 percent. Thus, on this count, out of the nationalized banks only five banks could achieve the target. The overall rural Credit Deposit ratio for these banks was 58.90 as on that date. Only 8 of the 20 banks could achieve this target.

Regional disparities as regards distribution of priority sector credit are continuing. Of course, they have narrowed down over a period of time. The states in North-Eastern and

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Eastern regions though have about 26 percent of the country's population got only 13 percent share in the priority sector credit at the end of Dec.1984. While the states in the Southern region that comprises of about 24 percent of the country's population got more than 37 percent share of the priority sector credit as on that date. The same sort of disparities exists in respect of each segment of priority sector credit.

Manju (1985) conducted a study that was based on primary data for the period of 1981-84. The study revealed that PNB has failed in accomplishing the primary objectives for which the credit was actually meant. The reasons responsible for the situation were several. The management of the bank seems to be worried only about the achievement of quantitative targets. The follow up machinery as devised by the bank for supervising the actual use of loans is weak.

Aggarwal H.N. (1974) made a case study on the 'A Portrait of Nationalised Banks' concluded that commercial banks are discharging their obligations in respect of agricultural advances satisfactory. He also concluded that the various schemes of agricultural credit devised by management of commercial banks are generally good. But the weakness in them arose mainly due to their faculty implementation and helpful attitude of bank employees and executives.

Sambasiva and K. Viyyanna Rao (1985) conducted a study on the "Role of Development Bank in Financing Agriculture." They concluded that all the give development banks provided financial assistance to the agricultural sector within 20 to 38.2 percent of the total assistance provided during 1960-85. But keeping in view the main stay of occupation in majority of member countries, the proportion of assistance provide to agriculture in quite significant.

Narayan A. (1984) in his study on "Impact of Bank Finance on Farmers" concluded that the bank finances had a reasonable impact on cropping pattern, level of productivity and per acre net income in the area surveyed and a such the banks should feel encouraged to enhance further the volume of credit to agriculture and accelerate its disbursement to needy farmers so as to accomplish a sound growth in the priority sector.

V.G. Rao and Parkash Malya (1975) have conducted a study to identify the beneficiaries of the commercial banks. Agricultural schemes and assess the impact for bank finances on the borrower-farmers. They have concluded the title 'Agriculture Finance by Commercial Bank' in 1975 that:-

(1) Over the years dependence on money lenders has decreased considerably.

(2) The small farmers in general are more conscious of timely repayment.

(3) Farmer's irrigation facilities increased by 21.55.

(4) The increased credit facilities enabled a good number of farmers to improve their cultural practices. Many borrower farmers began to use high yielding paddy varieties in recent year. The study made it clear that the revamped banking facilities have not made a considerable headway in the process of meeting the credit requirements of the 'rural poor.' Major benefits of the agricultural schemes have gone to the better off categories viz medium and large farmer.

According to their opinion, the development, banks should earmark at least 50 percent of their assistant for this sector.

Royal Commission on Agriculture (1926) remarked, "The Indian peasants are born in debt, live in debts, dies in debts and be quea the debt."

Press Trust of India

Published on Friday 29, 2008, at 12:34, update Friza, 2008 in Budget 2008 section.

Tags: Union Budget 2008, Money.

New Delhi Finance Minister P. Chidambaram on Friday announced a Rs. 60000 crore relief package for farmers, including complete waiver of loans given to small and marginal farmers.

Presenting his last Budget before the General Elections, Chidambaram announced waiver of Rs. 50,000 crore worth of loans to small and marginal farmers and a settlement scheme for other farmer that would cost the exchequer another Rs. 10,000 crore.

Loans for marginal farmers, who held upto one hectare land and small farmers, who held upto two hectares of land those loan would be waived. Agriculture loans disbursed by rural banks, RRBS and cooperative banks before March 2007 and overdue of December 2007 will also be waived.

Chidambaram said that according to estimate three crore marginal and small farmers would benefit from the governments amnesty.

Under the one-time settlement scheme that will benefit another one crore farmer, the govt. will give a rebate of 25 percent on payment of outstanding loans.

The agricultural credit of scheduled banks estimated at Rs. 2,40,000 crore in the current fiscal and it would go up to Rs. 2,80,000 crore in 2008.

Implementation of debt waiver and debt relief will be completed by June 30 this year.

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Chapter - 3

Agricultural Development in Haryana

Non-institutional sources like moneylenders, landlords, trader's etc. accounted for 93 percent of the total credit requirement in 1951-52, which was being provided at high rate of interest (from 24% to 60%) Institutional sources i.e. banks including the Govt. accounted for only 7 percent of the total credit needed in that year. The All India Debt and Investment Survey (1981), estimated that the share of non-institutional sources had slumped to 37 percent in 1981 and moneylenders were accounting barely 16 percent. The share of institutional credit had jumped to 63 percent and co-operatives were contributing 30 percent and commercial banks about 29 percent. The Government and the RBI had shown keen interest in strengthening and expanding co-operative and commercial banks to meet the growing demand for agricultural credit.

Haryana is a small state which is relatively backward area of the farmers in comparison compared to well develop state of Punjab. It made rapid progress in the field of agriculture development since its existence in 1966 and after it has achieved a prestigious position in comparison to other advanced states of the Indian with 1.4% of the total geographical areas of the country. It contributes more than 5% of the total food grains produced in the country.

Haryana is one of those states which has repeated the benefit of "Green Revolution" and has attained a very high rate of agricultural production. Since 1947 the scope for bringing more area under cultivation that was limited before green revolution. Efforts were intensified towards increasing the yields per unit of area, through an increase in irrigation facilities and cropping intensity. Due to use of farm machinery, chemical fertilizers and high yielding varieties of seeds need of credit in agriculture sector is increasing day by day. All these efforts resulted in boosting agricultural production. As a result the production of food-grain of the state has increased from 25.92 lakh tones in 1966-67 to 129.94 lakh tones in 2005-06 i.e. more than four time increase over the year 1966-67. This chapter aims at analying the growth and development that took place in the state Haryana during the study period.

Area under Crops

The gross area sown was 45.99 lakh hectares during 1966-67 and has increased to 65.10 lakh hectares during 2008-09. The cropping intensity in the State has been achieved at

180.17 percent during 2006-07. The agriculture scene in the State is dominated by Paddy-Wheat rotation, causing degradation in soil fertility and further fall in the underground water level. The contribution of area under Wheat and Paddy crops to the total gross area sown in the State is likely to be 56.21 percent during 2008-09. Though, the efforts have been made to break the dominance of the Wheat-Paddy rotation, yet no significant achievement has been made in this regard so far.

Table 3.1 Area Sown Under Principal Crops in Lakhs

Year	**Wheat**	**Paddy**	**Total/F/ grains**	Sugarcane	**Cotton bales)**	**Oilseeds**	**Gross Area**
1966-67	7.43	1.92	35.20	1.50	1.83	2.12	45.99
1970-71	11.29	2.69	38.68	1.56	1.93	1.43	49.57
1980-81	14.79	4.84	39.63	1.13	3.16	3.11	54.62
1990-91	18.50	6.61	40.79	1.48	4.91	4.89	59.19
2000-01	23.55	10.54	43.40	1.43	5.55	4.14	61.15
2004-05	23.17	10.24	42.18	1.33	6.21	7.15	64.25
2005-06	23.03	10.47	43.11	1.29	5.84	7.36	65.09
2006-07	23.76	10.42	43.48	1.41	5.27	6.22	64.07
2007-08	24.62	10.75	44.75	1.40	4.83	5.12	65.10
2008-09	24.80	11.79	46.22	0.94	4.46	6.83	65.10

***Source*: -** Statistical Abstract of Haryana 2000-11.

Note: bales= 170 kg.

Land Utilisation

The present table shows that total cropped area in Haryana has increased from 45.99 lakh hectares in 1966-67 to 63.51 lakh hectares in 2009-10. Area sown more than once also has increased from 11.76 lakh hectares to 28.01 lakh hectares in the same time period.

Table 3.2- Land Utilisation in Haryana (Lakh hectares)

Classification	**1966-67**	**1989-90**	**2004-05**	**2009-10**
Aria under forest	0.91	0.68	0.44	0.40
Land not available for cultivation	4.89	4.17	5.25	5.79

Follow Land	2.59	1.75	2.12	1.42
Other uncultivable land	1.37	0.83	0.66	0.71
Cultivable land	38.19	38.21	38.26	38.08
Net Area sown	34.23	35.93	35.98	35.90
Area sown more than once	11.76	20.58	28.97	28.01
Total cropped area	45.99	56.51	64.25	63.51

***Source*: -** Statistical Abstract of Haryana 2000-11

The area classified other uncultivable land i.e. the area not properly utilised, has been gradually declining whereas the area under forests, land not available for cultivation (utilized for habitation and industrial purposes) and cultivable area had been continuously increasing. Non cultivable land was 4.89 lakh hectares in 1966-67 that has increased 5.79 lakh hectares in 2009-10. Similarly, the area under other uncultivable land has decreased from 1.37 lakh hectares in 1966-67 to 0.71 lakh hectares in 2009-10. Thus, uncultivable area has decreased and that of cultivable area has increased. The net area sown has increased from 34.23 lakh hectares in 1966-67 to 35.90 lakh hectares in 2009-10. The net area shown has increased about 5 percent over the year 1967 due to increase in the cultivable area. Along with this increase multiple cropping as depicted by the area has shown more than once has also been increased. The results increase in gross cropped area during the study period, it is calculated 39.70 percent. While area under forest has decreased from 0.91 lakh hectares to 28.01 lakh hectares in the same time period. It is an alarming bell for the environment in Haryana and it is below than national level.

Table 3.2- Irrigated Area in Haryana (lakh hectares)

Year	**Total Cultivated Area**	**Net Area Irrigated**				**Irrigation Ratio to Total Area**
		Canals	Well & tube-well	Other	Total	Net
1966-67	34.23	9.91 (76.60)	2.89 (22.40)	0.13 (1)	12.93	0.37
1970-71	35.65	9.52	N.A.	0.05	15.32	0.42

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		(62.14)				
1975-76	36.24	N.A.	N.A.	N.A.	N.A.	N.A.
1980-81	36.02	11.61 (52.29)	9.41 (44.09)	0.06	21.34	0.59
1985-86	36.13	11.91 (52.98)	10.42 (46.35)	0.04	22.48	0.62
1990-91	35.75	13.37 (51.42)	12.48 (48.00)	0.14	26.00	0.72
1995-96	35.86	13.75 (49.81)	13.52 (48.98)	0.32	27.60	0.76
2000-01	35.26	14.76 (49.90)	14.67 (49.59)	0.14	29.58	0.83
2003-04	35.34	13.96 (47.01)	15.61 (52.57)	0.12	29.69	0.84
2004-05	35.28	14.26 (48.27)	15.14 (51.25)	0.14	29.54	0.83
2008-09	35.90	12.74 (44.28)	16.00 (55.61)	0.03	28.77	0.80
2009-10	35.90	12.82 (41.77)	17.83 (58.10)	0.04	30.69	0.85

***Source*: -** Economic Survey of Haryana 2000 to2012

N.A. - Not Available, **Note: -** figures in brackets indicate percentage of total

IRRIGATION

The secret of rapid agricultural development in backward country like India is to be found much more in new seeds, fertilizers, pesticides and water supplies – Irrigation is a important factor for the use of these complementary inputs. Without proper irrigation facility cultivation is almost impossible. Irrigation plays a vital role in the agricultural development particularly a state as like Haryana, where rainfall is scanty and inadequate. The state is being served by the excellent network to irrigation facilities, Canals and tube-wells are the main source of irrigation in the state. The status of irrigation facilities available in the state is given in the table 3.2. The Table shows that net area irrigated has increased from 12.93 lakh hectares in 1966-67 to 30.69 lakh

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hectares in 2009-10. Net irrigation ratio has increased from 0.37 in 1966 –67 to 0.85 in 2009-10.

The table also shows that the canals are the major source of irrigation followed by tube-wells. The area irrigated by canals has increased from 9.91 lakh hectares in 1966-67 to 12.82 lakh hectares in 2009-10, showing an increase of about 43.89 percentages over the entire study period. However, the share of percentage net irrigated area by canals has declined from 76.6 per cent in 1966-67 to 41.77 per cent in 2009-10 because of an increase in area irrigated by tube-wells. The area under well and tube-wells has increased from 2.89 lakh hectares in 1966-67 to 17.83 lakh hectares in 2009-10, claiming about 58.10 per cent of the total net irrigated area. Thus, tube-wells have played major role in the development of irrigation facilities in the state. The other sources such as ponds, tanks and drainage etc. are the major contributor in irrigation. Irrigation by these sources has decreased from 0.13 lakh hectares in 1966-67 to 0.04 lakh hectares in 2009-10. In this period they showed a fluctuating trend.

Fertilizers

India's soul though varied and rich is deficient in nitrogen and phosphorus and this efficiency can be made good by an increased use of fertilizers. The possibilities of extensive cultivation are extremely limited because most of the cultivable area in Haryana is already being cultivated. There is no option to increase area but we extend extensive cultivation due to using large quantities of fertilizers to augment our food grain production. Since the production of high yielding varieties, the consumption of chemical fertilizers in the state has increased depicted in Table 3.3.

Table 3.3- Fertilizer consumption in Haryana

Year	Consumption of Fertilizer (Kgs per hectare)
1980-81	42
1997-98	136
1998-99	133
1999-00	150
2000-01	152
2001-02	156

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2002-03	163
2003-04	158
2004-05	174
2005-06	173
2006-07	173
2007-08	187
2008-09	199
2009-10	209
2010-11	209
2011-12	210

Source: Economic survey of Haryana 2000-12

The table clearly shows that the consumption of fertilizer in Haryana has increased form 42 kg per hectare in 1980-81 to 210 kg per hectare in 2011-12. The consumption of fertilizer is fluctuating during the study period.

There is no option to increase area but we extend extensive cultivation due to using large quantities of fertilizers to augment our food grain production. Since the production of high yielding varieties, the consumption of chemical fertilizers in the state has increased depicted in Table 3.4. The table clearly shows that the consumption of fertilizer in Haryana has increased form 13347 tones in 1966-67 to 1357622 tones in 2010-11. The table also shows that consumption of fertilizer N, P &K has increased from 12626, 574 &147 tones in 1966-67 to 974045, 335950 & 47627 tones in 2010-11 respectively. It shows that consumption of fertilizer is fluctuating during the study period.

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Table 3.4 Fertilizer consumption in Haryana (in tones)

Year	**N**	**P**	**K**	Total
1966-67	12626	574	147	13347
1970-71	60972	6860	2228	70060
1975-76	86308	8322	2285	96915
1980-81	187385	31340	12098	230823
1985-86	296394	69639	6154	372187
1990-91	443245	138005	5042	586292
1995-96	587045	133582	3160	723787
2000-01	714308	206319	9668	930295
2005-06	847427	252570	28674	1128671
2009-10	961875	333165	60648	1355688
2010-11	974045	335950	47627	1357622

Source: Economic survey of Haryana 2000-12

Plant Protection (Pesticides)

Intensive cultivation, introduction of high yielding verities of seeds, fertilizers consumption has increased, frequent irrigation and changes in cropping pattern have been accompanied by increased post problems. The consumption of pesticides in Haryana has increased from 273 tones in 1966-67 to 4060 tones in 2010-11.

Table 3.5- Consumption of pesticides in Haryana

Year	**Quantity (in tones)**	**Area (lakh hectare)**	**K.g./per hector**
1966-67	273	19.17	1.4
1994-95	5102	73.96	6.9
1995-96	5100	78.80	6.5
1996-97	5045	81.60	6.3
1997-98	5040	87.91	5.7
1998-99	5035	87.94	5.7
1999-00	5030	88.02	5.7

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2000-01	5025	87.98	5.7
2003-04	4730	86.05	5.5
2004-05	4700	85.65	5.5
2005-06	4650	84.95	5.5
2007-08	4391	75.55	5.8
2008-09	4288	72.90	5.9
2009-10	4070	71.19	5.7
2010-11	4060	71.10	5.7

Source: Statistical abstract of Haryana 2000-12.

The table 3.5 shows that pesticides consumption in the state after increasing from 273 tones in 1966-67 to its highest level of 5102 tones in 1994 –95 but after that it start to decline due to its adverse effects of human being and it come down 4060 tones in 2010-11. Similarly, its consumption in kilogram per hectare has been increasing from 1.4 kg/hectare to 6.9 kg/ per hectare in 1994-95, but after that it start to decline and come down 5.7 kg/per hectare in 2010-11. The coverage area of pesticides increase from 19.17 lakh hectares in 1966-67 to 71.10 lakh hectares in 2010-11, it counted about 371 percent hike in the area covered by pesticides over the entire study period.

Mechanization of Farming and Farm Equipment's

In the strategy of agricultural development mechanization of farm operation is an essential aspect along with the high yielding varieties of seeds, use of these in organic manures and pesticides etc. Double or triple cropping on a large scale is not possible without the use of modern technology on farms. Mechanization of farming involves in use of tractors, threshers and tube-wells. Full mechanization of equipment in Haryana has not been attained and it is not possible due to decreasing landholding and lack of farm mechanization policy. Detail regarding farm equipment's of the state is presented in table 3.6

Table 3.6- Agricultural Machinery and Equipment's in Haryana

Sr. No.	Name of Equipment	1989-90	2003-04	% Change
1	Plough (total)	624333	274250	-56.07
	(a) wooden	450991	121377	-73.00
	(b) Iran	173362	152873	-11.80
2	Tractors	165648	254020	53.34
3	Tube-wells & pumps	418622	548233	30.96
4	Thresher /combine harvesters	2383	9181	285.27
5	Sugar can crusher	6019	2777	-53.86

Source: Statistical Abstract of Haryana 2006-07.

Table 3.6 shows that the biggest increase is noticed in thresher/combine harvesters machines that have increased from 2383 in 1989-90 to 9181 in 2003-04. It is counted about 285 percent hike in the use of above said equipment. Similarly number of tractors along with tube-wells and pump-sets has also increased tremendously to about 53.34 percent and 30.96 percent over the entire period respectively. The decline is noticed in case of wooden plough and sugar cane crushers. The sugar cane crushers have declined by 53.86 percent and wooden plough decreased from 56.07 percent. Increased the demand of thresher/ combine harvester machines, tractors, tube –wells and pump sets in the market showed a definite trend towards mechanization of agriculture and using modern technology in Haryana.

The table 3.7 clearly shows that the use of tractor in Haryana has increased form 4803 in 1966-67 to 262236 in 2011-12. Use of tractor has increased more than 55 times after green revaluation. It shows the advancement in Haryana agriculture.

Table 3.7-Number of Tractor in Haryana

Year	Number of Tractor
1966-67	4803
1970-71	12312
1975-76	25451
1980-81	52689

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1985-86	83120
1990-91	130246
1995-96	162030
2000-01	209613
2005-06	246914
2009-10	259030
2010-11	262236

Source: Statistical abstract of Haryana 2000-12.

Marketing and Storage of Agriculture Product

Agricultural marketing is an essential forwarding linkage of agricultural development. An efficient and reliable marketing system by itself can stimulate to increase the agricultural marketing ensures a fair price for the marketable surplus and argument for capital formation in the agricultural sector which promotes the farmers to gain more from land. A well-developed marketing system promotes demand for agricultural product in national as well as international markets. In this section we will discussed two point for the study point of view; namely Regulated markets and storage capacity for agriculture products.

Regulated Market in Haryana

Regulated markets have been set up by the government with the sole purpose of checking frequent practices, which are common with the farmers. Regulated markets in Haryana are under the direct control of Haryana Agricultural Marketing Board with it's headquarter in Panchkula. The Haryana agricultural marketing board came into existence in August 1969 by bifurcation of the joint Punjab Board for exercising super intendance and control over the market committees and for better regulation of buying and selling of notified agricultural marketing and its constituent marketing committee are now responsible for the enforcement of the provision of the Punjab Agriculture produce market Act, 1961. Rules are framed under Punjab Agriculture produce market Act, 1961 for better regulation of purchase and sale of agricultural produce as well as setting up of market with modern facilities and amenities to provide remunerative price to the farmers in the state.

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The Haryana State Agricultural Marketing Board continued its effects to provide improved and easily accessible market facilities for sale of produce of the farmers in a regulated manner. At the time or creation of this board in 1969, there were only 50 regulated markets and 60 sub yards in the state during 1969-70 the board, has 106 regulated markets and 178 sub yards in 2010-11 which spread over the state as is depicted in the table 3.8.

Table 3.8- Position of Regulated Market in Haryana

Unit	1969-70	2005-06	2009-10	2010-11
Regulated Market	50	106	106	106
Sub yard	60	178	178	178
Average no of village served per regulated market	135	64	64	64
Average area served per regulated market (sq. kms)	884	417	417	417

Source: Statistical Abstract of Haryana 2000-12

The table clearly explains that the market facilities have been spread widely over the state during a span of 41 years i.e. 1969-70 to 2010-11. The regulated markets has increased from 50 in 1969-70 to 106 in 2010-11 followed by sub- yards which increased, from 60 to 178 during the same period. The regulated market has increased more than two time and sub yards increased about three times since, the creation of Agricultural Marketing Board in the state. The average number of villages served per regulated market has declined from 135 in 1969-70 to 64 in 2010-11. Similarly average area served per regulated market has declined from 884 Sq. kms in 1969-70 to 417 Sq. kms in 2010-11.

WAREHOUSING IN HARYANA

Warehousing facilities are necessary to prevent the loss arising out of defective storage and also to equip the farmers with a convenient instrument of credit. An important landmark in the field of warehousing was the detailed recommendations of the All India Rural Credit survey committee (1954) for initiating a country wide programmes of recommended at three level (a) Nation level (b) State and District Level and (c) Village

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and Rural level. In accordance with the recommendation the Food Corporation of India and central warehousing corporations were required to create storage facilities at centers of all India importance, the state Governments and State warehousing corporations at centers of State / District level importance and the rural storage needs were to be looked after by the co- operative. In Haryana there are three main agencies having highest storage capacity viz., the Food Corporation of India, state warehousing and Hafed out of these the highest storage capacity is the food corporation of India (FCI) followed by state warehousing corporation and Hafed. The storage capacity of various agencies in Haryana is explained to the Table 3.9

Table 3.9- Storage capacity of different agencies in Haryana (lakh tones)

Agencies	**1989-90**	**2004-05**	**2009-10**	**2010-11**	**% increase / Decrease**
1. Food Corporation of India a. Owned b. Agricultural Refinanced Development Corporation	11.94 6.62 5.32	9.86 7.43 2.43	11.00	10.86	-17.42 12.23 -54.32
2. State warehousing corporation	3.66	8.88	11.89	9.85	142.62
3. Hafed	2.75	9.98	25.21	24.86	262.90
4. Food & Supply Development	1.66	1.68	2.98	2.50	1.20
5. Central Warehousing corporation	1.06	3.48	4.75	3.64	228.30
6. A.R.D.C. (with H.W.C)	2.25	2.33	-	-	3.55
7. Other (Marketing Board)	3.78	5.11	4.26	4.24	35.18
Total	23.62	41.52	61.63	57.37	75.78

Source: Statistical Abstract of Haryana 2000-12

The table 3.9 explicit that total storage capacity of different agency in state has increased from 23.62 lakh tones in 1989-90 to 57.37 lakh tones in 2010-11,. The total

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storage capacity of Food corporations of India has been decreased about 17.42 percent but its owned storage capacity has increased about 12.23 percent and with that of Agricultural Refinance Development Corporation has declined by 54.32 percent during the same period. The highest increase (262.90 percent) in storage capacity was noticed in case of Hafed followed by central warehousing corporation whose capacity has increased by 228.30 percent. The highest decline 54.32 percent in storage capacity is noticed in case of Agricultural Refinanced Development Corporation. As a whole the total storage capacity in the state has increasing trend in the study period.

Table 3.10- Agriculture production under major crops in Haryana (lakh tones)

Year	Wheat	Rice	Total F/ grains	Oilseeds	Cotton Bales)	Sugarcane
1966-67	10.59	2.23	25.92	0.92	2.88	51.00
1970-71	23.42	4.60	47.71	0.99	3.73	70.70
1980-81	34.90	12.59	60.36	1.88	6.43	46.00
1990-91	64.36	18.34	95.59	6.38	11.55	78.00
2000-01	96.69	26.95	132.95	5.63	13.83	81.70
2004-05	90.43	30.10	130.57	8.36	20.75	82.30
2005-06	88.53	31.94	130.06	8.30	15.02	83.10
2006-07	100.59	33.71	147.59	8.37	18.05	96.51
2007-08	102.36	36.13	153.08	6.43	18.85	88.60
2008-09	105.40	33.01	153.44	10.60	17.05	59.40
2009-10	104.88	36.28	153.45	6.82	19.18	57.10

Source: Economic Survey of Haryana 2000-12

Note: one bale= 170kg.

AGRICULTURAL PRODUCTION

There is a remarkable hike in the production of major food-grain crops like wheat and rice since the patrician of Haryana in 1966. The Agricultural production has reached nearer and nearer heights supported by backward and forward linkage of agriculture. The state achieved a record production 153.45 lakh tones of foodgrain in 2009-10. Achievements made in this regard depicted in table 3.10.

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The table 3.10 clearly explains that the production of total foodgrains in Haryana has increased from 25.92 lakh tones in 1966-67 to 153.45 lakh tones in 2009-10; it is showing an increase about 592 percent in above said period. The production of rice has increased from 2.23 lakh tones in 1966-67 to 36.28 lakh tones in 2009-10. The production of wheat also has increased from 10.59 lakh tones in 1966-67 to 104.88 lakh tones in 2009-10.

The production of non-food grain crops has been also showed a rising trend. The production of cotton has increased from 2.88 lakh bales in 1966-67 to 19.18 lakh bales in 2009-10. The production of oil seeds has also increased from 0.92 lakh tones in 1966-67 to 6.82 lakh tones in 2009-10. The highest production of oil seeds was 10.60 lakh tones in 2008-09. Similarly the production of sugarcane (Gur) has increased from 5.10 lakh tones in 1966-67 to 57.10 lakh tone in 2009-10. Its highest production 106.50 lakh tones were recorded in 2002-03 but it declined after this.

Relative Yield of Major Crops in Haryana

Rice, wheat, cotton, sugarcane and oil seeds are the major crops in Haryana. It would be worthwhile to compare to yield rates of these crops with those obtained at the All India Level. Table 3.11 gives comparative yields of these crops for different years.

In the table 3.11 clearly explain that the yield rate of rice, wheat, cotton and oilseeds is higher in Haryana as compared to All India level. In case of sugarcane, the yield rate is higher in India. In the year 1990-91, the yield of wheat is higher in India only whereas Haryana reported higher yields in the later period.

Yield rate of wheat has gone up substantially in Haryana. The yield rate of rice fell substantially in Haryana, while, the yield rates of sugarcane, cotton and rice reported higher in India level as compared to Haryana.

Table 3.11- Average Yield of major crops in Haryana as well as India

Crops	State	1990-91	2005-06	%Change`
Wheat	Haryana	2770	3051	10.14
	India	1740	2077	18.96
Rice	Haryana	2010	3834	90.74

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	India	2280	2713	18.99
Oilseeds	Haryana	400	454	13.5
	India	220	309	40.45
Cotton	Haryana	1306	1326	1.53
	India	771	944	22.44
Sugarcane	Haryana	5273	5497	4.25
	India	6539	7502	14.73

Source: - Agriculture, Centre of Monitoring Economy 2007

The table 3.12 clearly explains the comparative analysis of average yield per hectare production of wheat and rice in Haryana as well as India. It shows that production of wheat and rice in Haryana is highest in Haryana in comparison to India in whole study period. It shows the advancement of Haryana in foodgrains production in comparisation to other state. It also shows the high contribution of Haryana in the production of foodgrain in India and advancement of Haryana in adaptation of new technology.

Table 3.12 Average Yield of Wheat and Rice in Haryana and India (kgs. per hectare)

Year	**Haryana**		**India**	
	Wheat	Rice	Wheat	Rice
1990-91	3479	2775	2281	1740
1995-96	3697	2225	2483	1797
2000-01	4106	2557	2708	1901
2004-05	3901	2939	2718	2026
2005-06	3844	3051	2619	2102
2006-07	4232	3238	2708	2131
2007-08	4158	3361	2785	2203
2008-09	4614	2724	2907	2178
2009-10	4215	3008	2830	2130
2010-11*	4624	2789	NA	NA
2011-12*	4735	3044	NA	NA

Sources: - Economic Survey of Haryana 2000 to2012

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Indices of Area, Productivity and Production

The growth of agriculture in a region takes place as a result of (i) increase in gross cropped areas (ii) increase in productivity and (iii) increase in production. An analysis of the growth rates of production, area and productivity from 1996-97 to 2010-11 is shown in the table. 3.13. It shows that the indices of agriculture production, area and productivity showed unsteady and zigzag type of movements. However, on the whole they had a rising trend.

Area

As the table no. 3.13 exhibits that area in the state is fluctuating trends during the period. It is more or less the same during the study period. Its highest 123.57 is registered in the year 2010-11, while it's lowest 112.46 in 2002-03.

Yield

The index number of productivity is fluctuating trends during the period. It is more or less the same during the study period. Its highest 225.68 is registered in the year 2010-11, while it's lowest 138.95 in 1997-98.

Production

The index number of production as a whole, showed a rising trend. The growth in output came about as a result of increase in area under crops as well as increase in productivity per unit of area. The index number of production, yield and area has increased from 220.21, 161.23 & 115.85 million tones in 1996-97 to 278.87, 225.68 & 123.57 million tones in 2010-11. It shows the fluctuating trends.

Table 3.13- Index Number of Agriculture in Haryana (million tones)

Year	Area	Yield	Production
1996-97	115.85	161.23	220.21
1997-98	117.09	138.95	188.23
1998-99	121.62	145.23	202.83
1999-00	115.99	159.72	219.68
2000-01	116.32	161.53	222.73
2001-02	119.16	153.80	220.71

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2002-03	112.46	191.16	214.98
2003-04	119.21	200.88	239.47
2004-05	120.57	201.55	243.01
2005-06	121.09	202.88	244.71
2006-07	119.61	216.91	259.45
2007-08	119.16	215.28	256.53
2008-09	121.02	225.23	271.76
2009-10	120.30	217.36	261.48
2010-11	123.57	225.68	278.87

Sources: - Economic Survey of Haryana 2000 to2012

Note: (Base: Triennium ending (1981-82=100)

Agriculture Development Under Five Years Plans

After the initiation of planning in India the agricultural sector developed on an average of 3 percent. A huge amount is invested in every five year plans to make self-sufficient in foodgrain. The food grain production was mere 54 million tones at the time of 1950-51 that has been increased 243 million tones during the year 2004-05. All most all the factors of agriculture have been brought within the preview of five years plans such a irrigation and flood control, agricultural inputs, soil and water conservation, animal husbandry and daring, fisheries, forestry, agricultural marketing and rural godowns, agricultural finance institutions, land reforms, co-operation, agricultural research and education, special area programmes etc.

Large resources have been devoted to agricultural sector in our five years plans so that study and sustained all round development in agriculture can be attained. The plan outlay on agriculture and agricultural growth rate is depicted in the following table 3.14.

Table 3.14- Plan outlay& Growth Rate of Agriculture in Haryana (Rs. in crore)

Plans	Expenditure on Agriculture	Total plan outlay	Growth Rate (Agriculture)
1951-56	354	2378	14.9
1956-61	501	4500	11.3

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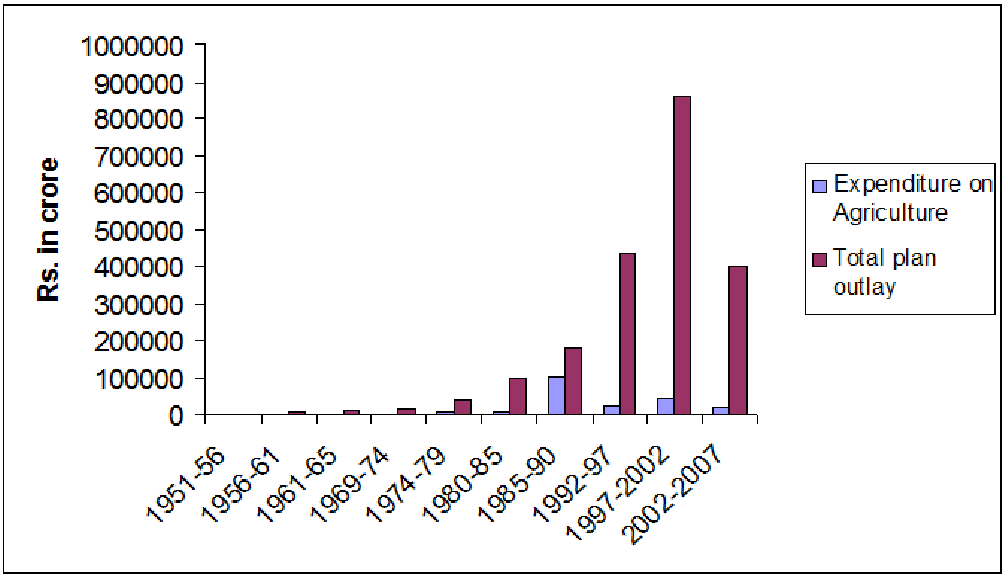
1961-65	1089	8577	12.7
1969-74	2320	15779	14.7
1974-79	4845	39462	12.3
1980-85	5695	97500	5.8
1985-90	100525	180000	5.9
1992-97	22467	434100	5.2
1997-02	42462	859200	4.9
2002-07	20668	398890	5.2
2007-12	1719.68	35000	NA
2012-17	NA	175760	NA

Sources: - Economic Survey of Haryana 2000 to2012

NA= data is not available.

Table 3.14 clearly depicts that the share of agriculture sector in total plan outlay has increased from 2378 crore in 1951-56 to 398890 crores in 2002-07 during the planning period. The growth rate of agriculture sector has declined with the decline in the percentage share of plan outlay on this sector. It declined from 14.9 percent in first five year plan to 5.2 percent in 12th five year plan. But the total volume of plan expenditure on agriculture has increased from Rs. 354 crore to 20668 crores during the same period.

Graph - Total agricultural outlay and expenditure



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Chapter - 4

SCBs Credit to Agriculture

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Agriculture is the main stay of the people in Haryana. The development of agriculture based on the utilisation of manpower resources of rural people, and maximum utilisation of land, holds the key to the rapid economic development of rural areas in the state. Since, mineral wealth of the district is insignificant and the growth of the industries is inadequate. Therefore, agriculture and allied (activities) sector plays an important role in providing gainful employment and to increase the level of living of the people in Haryana. To develop the living standards of rural people, to get gainful employment to generate and supplement their income and to cross the poverty line, growth of agriculture is a pre-requisite.

In the face of growing there is a need of rural credit especially after the technological breakthrough in seed, fertilizer, technology and expansion of irrigation. It was realised that they're own finance and co-operative, alone would not be able to meet credit requirements and it is necessary to adopt a multi-agency approach to rural lending. So that banks were nationalised at various times. The banks may be plays a significant role in the rural development in India as well as Haryana.

Rural development is being a very extensive concept. The role of banks in rural development cannot be visualised directly. Therefore, taking into consideration the trend of certain specific indicators we may be in a position to see whether rural development occurred or not. We have selected some indicators such as Asset generation, utilisation of bank loan, income, employment and bank loan defaulters. As far as asset generation is concerned, we have classified it into agriculture equipment, animal husbandry, gardening, rural industry, transport and others categories.

Extent of Finance to Agriculture

Bank Finance to agriculture sector is classified in to two broad categories:

1. Direct Finance
2. Indirect Finance

Direct Finance includes

Direct finance comprises the credit provided direct to agriculturists for financing their production and developmental needs etc. viz.

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(1) Purchase of Agricultural inputs and machinery;

(2) Development of irrigation facilities;

(3) Construction of farm building;

(4) Construction of storage facilities;

(5) Dairy development and animal husbandry;

(6) Development of Poultry and Piggery;

(7) Development of land etc.

Indirect Finance includes

(1) Credit for financing distribution of fertilizers, pesticides and seeds;

(2) Loans to Electricity Boards to reimburse them for providing low tension connections from step down point to individual farmers for energination of wells;

(3) Loans to farmers through primary agricultural credit societies;

(4) Loans to various other agencies in indirectly with agriculturists.

Institutional Credit to Agriculture in India

In India a multi-agency approach comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. The policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit. Some of the major discernible trends are as follows:

Over time the public sector banks have made commendable progress in terms of putting in place a wide banking network, particularly in the aftermath of nationalisation of banks. One of the major achievements in the post-independent India has been widening the spread of institutional machinery for credit and decline in the role of non-institutional sources, notwithstanding some reversal in the trend observed particularly in the 1990s.

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The table no 4.1 shows the relative share of borrowing of cultivator households from different sources which was little over 7.3 per cent in 1951, increased manifold to over 68.8 per cent in 2010, reflecting concomitantly a remarkable decline in the share of non-institutional credit from around 93 per cent to about 30 per cent during the same period. Share of money lenders credit also decline from around 70 per cent to about 22 per cent during the same period. It shows the development of financial institution in India. However, the latest NSSO Survey reveals that the share of non-institutional credit has taken a reverse swing which is a cause of concern.

Table 4.1: Relative Share of Borrowing of Cultivator Households from Different Sources (%)

Year	**1951**	**1961**	**1971**	**1981**	**1991**	**2002**	**2010**
Non-Instructional	92.7	91.3	68.3	36.8	30.6	38.9	29.7
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8	21.9
Institutional	7.3	18.7	31.7	63.2	66.3	61.3	68.8
Cooperative Societies/Banks	3.3	2.6	22.0	29.8	23.6	30.2	24.9
Commercial Banks	0.9	0.6	2.4	28.8	35.2	26.3	25.1
Unspecified	-	-	-	-	3.1	-	1.5
Total	100	100	100	100	100	100	100

Source: All India Debt and Investment Survey and NSSO.

Table no 4.2 explain that notwithstanding their wide network, co-operative banks, particularly since the 1990s have lost their dominant position to commercial banks. The share of cooperative banks (18 per cent) during 2009-10 is less than half of what it was in 1991-92 (22 per cent), while the share of commercial banks (43 to 69 per cent) including RRBs (4 to 13 per cent) almost doubled during the above period. The efforts to increase the flow of credit to agriculture seems to have yielded better results in the recent period as the total institutional credit to agriculture recorded a growth of around 23 per cent during 1995-96 to 2008-09 from little over 14 per cent during 1991-92 to 2008-09. In terms of total credit to agriculture, the commercial banks recorded a considerable growth (from around 43 per cent to about 69 per cent), while cooperative

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banks registered a fall (over 52 per cent to over 18 per cent) during the above period. There is a considerable increase in RRBs from 4 percent to 13 per cent.

Table 4.2: Institutional Credit to Agriculture in India (Rs.in Crores)

Year	Co-opts.	% age	RRBs	% age	SCBs	% age	Total	% age increase
1991-92	5800	52	596	04	4806	43	11202	27
1995-96	10479	48	1381	06	10172	46	22032	18
1999-00	18363	40	3172	07	24733	53	46268	25
2000-01	20801	39	4219	08	27807	53	52827	14
2001-02	23604	38	4854	08	33587	54	62045	17
2002-03	23716	34	6070	09	39774	57	69560	12
2003-04	26959	31	7581	09	52441	60	86981	25
2004-05	31424	25	12404	10	81481	65	125309	44
2005-06	39404	22	15223	08	125859	70	180486	44
2006-07	33987	24	15170	10	100999	67	150156	49
2007-08	35875	20	17987	10	128876	70	182738	51
2008-09	36165	19	19325	10	132761	71	188251	53
2009-10	32871	18	23984	13	121879	69	178734	-

Note: Commercial Banks and RRBs were clubbed together up to 1990-91.

***Source*:** Economic Survey and NABARD various issues.

Table 4.3 explicit the growth of agriculture and priority sector deployment of gross bank credit. We find that share of agriculture in total credit is hardly near to 10 percent. It is not satisfactory in an agriculture dominant country. Gross bank credit has increased from 258991 crore in 1996-97 to 2045897 crore in 2009-10. It is reported near to 8 time hike in gross bank credit during the study period. It shows the increasing trend except year 2000-01. But percentage share is remaining constant during above said period. Credit has not only been much lower but has also constant, which could have dampening effect on the agricultural investment for future growth process. Credit of agriculture and priority sector has increased from 31442 crore and 84880 crore in 1996-97 to 267840 crore and 876459 crore in 2009-10 respectively. It is reported 8.5 & 10.3 times hike during the study period. It shows the increasing trend. Sectoral development

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of gross bank credit reveals that the share of agriculture since the second half of 1990s has ranged between 11-12 per cent. As at end March 2010, the share stood at around 13 per cent.

Table-4.3: Agriculture & Priority Sector Deployment of Gross Bank Credit (Rs.in Crores)

Year	Gross Bank Credit	Priority Sector	Agriculture	Share of Agriculture in Total
1996-97	258991	84880	31442	12.14
1996-98	300283	99507	34869	11.61
1998-99	342012	114611	39643	11.59
1999-00	400818	131827	44381	11.07
2000-01	469153	154414	51922	11.07
2001-02	536727	175259	60761	11.32
2002-03	669534	211609	73518	10.98
2003-04	764383	263834	90541	11.84
2004-05	1040909	381476	125250	13.02
2005-06	1445837	509910	172279	11.92
2009-10	2045897	876459	267840	13.09

Source: Report on Trend and Progress of Banking in India, Various issues.

Table 4.4 shows that policy makers in India have long recognised the need to provide short and long term institutional credit to agriculture at reasonable rates for meeting farmers' production needs. This recognition came primarily as the moneylenders and other non-institutional sources charged exorbitant rates of interest to farmers who often had to mortgage, and sometimes, sell their lands to clear their debts.

After independence, credit institutions serving the agricultural sector were developed in several phases. In the first phase from 1947 to 1969, cooperative agencies were the primary vehicle that provided credit. During the second phase from 1969-75, a major development in the area of rural credit was the nationalisation of banks in 1969. The commercial banks were also assigned an important role in providing agricultural credit to supplement credit by cooperatives. The third phase, 1975-1990, saw the establishment of Regional Rural Banks (RRBs) in 1975 to provide credit to small and

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marginal farmers and weaker sections of society. During this phase, introduction of the concept of priority sectors in 1985, whereby the banks were enjoined to lend 18 per cent of their total credit to agriculture, was an important step for extending credit to agriculture. In the fourth phase, beginning with the financial sector reforms of the 1990s, emphasis shifted in favour of prudential regulations, and the focus on social banking got diluted.

Table 4.4: Source-wise Institutional Credit Flow to Agriculture: (Rs in Crore)

Agency	**1975-76**	**1983-84**	**1993-94**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Short Term	1177	3335	11271	40509	45586	54977	74064	105350
Co-opt.	881	2158	7839	18787	19668	22640	27157	34930
RRBs	02	120	732	3777	4775	6088	10010	12712
SCBs	213	872	2700	17904	21104	26192	36793	57640
Others	00	00	00	41	39	57	104	68
Medium & Long	498	1909	5223	21536	23974	32004	51245	75136
Co-opt.	305	780	2278	4737	3968	4235	4074	4474
RRBs	02	143	245	1077	1295	1493	2394	2511
SCBs	192	986	2700	15683	18670	26249	44688	67837
Others	00	00	00	39	41	27	89	314
Total Credit	1675	5244	16494	62045	69560	86980	125309	180486
Co-opt.	1186	2938	10117	23524	23636	26875	31231	39404
RRBs	02	263	977	4854	6070	7581	12404	15223
SCBs	405	1885	5400	33587	39774	52441	81481	125477
Others	82	185	00	80	80	84	193	382

Source: For Commercial Banks from Reserve Bank of India (RBI); for Cooperatives and Regional Rural Banks from National Bank for Agriculture and Rural Development (NABARD).

Institutional credit expanded rapidly in the post bank nationalisation period from Rs.1, 675 crore in 1975-76 to Rs.1,80,486 crore in 2005-06 and the rate of growth was even higher than the growth rate of Gross Domestic Product (GDP) originating in agriculture. Despite this growth, the credit needs of agriculture have not been met fully and an

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overwhelming number of farm households have not been able to borrow from institutional sources.

There has been a major shift in the relative importance of short-term and medium and

long-term credit to agriculture. While short-term credit has remained the dominant component of total credit, its relative importance declined from 70.3 per cent in 1975-76 to 58.1 per cent in 2005-06. Even more striking, the relative importance of cooperative and commercial bank credit to agriculture was reversed. During 1975-76 to 2005-06, the share of cooperatives in total credit to agriculture declined from 69.5 per cent to 21.8 per cent, whereas the share of scheduled commercial banks increased from 24.2 per cent to 69.5 per cent.

Table 4.5: Share of Cooperatives in Total Agricultural Credit in India (In %age)

Type of Loan	1975-76	1983-84	1993-94	2001-02	2002-03	2003-04	2004-05	2005-06
Crop	74.9	64.7	69.6	46.4	43.1	41.2	36.7	33.2
Term	61.2	40.9	43.6	22.0	16.6	13.2	8.6	6.0
All	70.8	56.0	61.3	37.9	34.0	30.9	24.9	21.8

Source: NABARD

Table no 4.5 depict that cooperative societies have played a vital role in the provision of institutional credit to the agricultural sector. With the entry of commercial banks in rural areas, the share of cooperative credit in total agricultural credit had gone down. It fell from 70.8 per cent in 1975-76 to only 21.8 per cent in 2005-06. While the share of cooperatives in short-term credit in the form of crop loans declined from 74.9 per cent to 33.2 per cent; its share in long-term credit declined steeply from 61.2 per cent to 6.0 per cent. Concurrently, commercial banks became the dominant source of credit to the agricultural sector.

Table no 4.6 depict that trends in agricultural credit flow at current prices in India has increased from 3436 crore in 1981 to 180486 crore in 2005-06. It has increased near to 53 times in above said time period. While short term credit and term credit has increased from 2047 & 1389 crore in 1981 to 105282 & 75204 crore in 2005-06

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respectively. It has increased for short term credit and term credit near to 52 &54 times respectively in above said time period.

Table 4.6: Trends in Agricultural Credit Flow at Current Prices (Rs. in Crore)

Year	Short Term Credit	Term Credit	Total Credit
1980-81	2047 (59.58)	1389 (40.42)	3436 (100)
1985-86	4529 (63.27)	2629 (36.73)	7158 (100)
1990-91	5979 (58.69)	4209 (41.31)	10188 (100)
1996-97	16998 (64.36)	9413 (35.64)	26411 (100)
1999-00	28965 (62.60)	17303 (37.40)	46268 (100)
2000-01	33314 (63.06)	19513 (36.94)	52827 (100)
2001-02	40509 (65.29)	21536 (34.71)	62045 (100)
2002-03	45586 (65.53)	23974 (34.47)	69560 (100)
2003-04	54977 (63.21)	32004 (36.79)	86981 (100)
2004-05	71847 (57.34)	53462 (42.66)	125309 (100)
2005-06	105282 (58.33)	75204 (41.67)	180486 (100)

Note: GCF denotes Gross Capital Formation GDP denotes Gross Domestic Product

Source: Central Statistical Organisation, National Account Statistics, of Various Years.

Table 4.7: Direct & Indirect Agri. Credit of Scheduled Commercial Banks in India

Year	Share of Df (%)		Share of If (%)		Per Account O/S (Rs)		
	Account	Amount	Account	Amount	DF Agri	IF Agri	Total Agri
2000	98	84	02	16	19,076	2,22,184	22,227
2001	99	84	01	16	22,194	297639	26069
2002	97	74	03	26	24027	271296	31452
2003	97	78	03	22	29242	261681	36436
2004	97	73	03	27	33832	4,47,547	45177
2005	98	76	02	24	36384	460570	46662
2006	98	72	02	28	43852	740416	59407
2007	98	75	02	25	52796	799986	69300
2008	98	78	02	22	56660	893869	71755
2009	98	77	02	23	60806	977168	77405
2010	96	76	04	24	72399	528499	91256
CAGR (2000 to 2010)					14	15	15
CAGR (2004 to 2007)					16	25	16

DF-Direct finance, IF- Indirect Finance.

Source: Computed from the data provided in Banking and Statistical Returns, RBI (Various issues)

Table 4.7 shows that there has been a distinct shift in the preference of commercial banks towards indirect finance (IF) vis-à-vis direct finance (DF) to agriculture. Share of indirect finance in total credit outstanding to agriculture was 16% in 2000 which increased to 28% in 2006 and stood at 24% in 2010. The share among the two categories in terms 14 of accounts has more or less remained the same during the period 2000 to 2010. In recent times, the increase in the commercial banks' indirect financing could be due to their financing the value chain and as well as the increasing role of urban and metropolitan branches in rural financing. However, the present data does not make it amenable to reach a firm conclusion in this aspect.

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Table 4.8: Credit flow to Agriculture Trough All Banks in India after Farm Credit Package (Rs. In Crore)

Year	Target	Achievement	% Achievement	% Growth
2004-05	105000	125309	119.34	44.06
2005-06	141000	180486	128.00	44.03
2006-07	175000	229400	131.09	27.10
2007-08	225000	243563	108.25	6.17
2008-09	280000	254179	90.78	-

Source: NABARD

Table no 4.8 shows the trends of credit flow to agriculture trough all banks in India after farm credit package. It shows that growth of funds has decreased from 44.06 percent in 2004-05 to 6.17 percent in 2007-08. While target and achievement amount has increased near to 2.7 & 2 time respectively in above said time period.

Table 4.9: Agriculture Credit- No. of Account /Farmer Financed (No. in Lakh)

Year	SCBs	RRBs	Co-opts	Total
2004-05	127	61	225	413
2005-06	146	46	193	385
2006-07	172	62	189	423
2007-08	175	63	202	439
2007-08	202	75	179	456
2008-09	205	73	204	482
2009-10	234	72	260	566

Source: NABARD

Table no 4.9 depict the trends of agriculture credit account number through farmer financed in India. It has increased from 413 lakh in 2004-05 to 566 lakh in 2009-10. It has increased near to 1.4 times in above said time period. While in case of SCBs, RRBs &Co-opts banks it has increased from 127, 61 & 225 lakh in 2004-05 to 234, 72 & 260 lakh in 2009-10 respectively. It has increased near to 1.8, 1.2 &1.2 times respectively in

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above said time period. This growth rate is not satisfactory for the development and fulfilment the agriculture credit requirement.

Table 4.10: Production Vs Investment Credit in India (Rs. in Crores)

Year	Prod. Credit	Invest. Credit	Total
2002-03	45586 (61%)	28923 (39%)	74509 (100%)
2003-04	54977 (63%)	32004 (37%)	86981 (100%)
2004-05	74059 (59%)	51245 (41%)	125309 (100%)
2005-06	105350 (58%)	75136 (42%)	180486 (100%)
2006-07	138455 (60%)	90945 (40%)	229400 (100%)
2007-08	181394 (71%)	73264 (29%)	254658 (100%)
2008-09	210461 (70%)	91447 (30%)	301908 (100%)
2009-10	276656 (72%)	107858 (28%)	384514 (100%)
10th Plan(average)	84086 (72%)	55251 (72%)	139337 (100%)
11th Plan(average)	222837 (72%)	90856 (72%)	313693 (100%)

Source: Annual Report, NABARD, Various Issues

Table no 4.10 depict the trends of agriculture production and agriculture investment in India. Total credit has increased from 74509 crore in 2002-03 to 313693 crore in 2009-10. It has increased near to 4.2 times in above said time period. Otherwise in case of production and investment amount in agriculture has increased from 45586 crore & 28923 crore in 2002-03 to 222837 crore & 90856 crore in 2009-10 respectively. It has increased near to 4.9 & 3.1 times respectively in above said time period. Investment in

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agriculture growth rate is less than productions credit it is not good for the future of agriculture sector.

Table 4.11: Agriculture Credit Flow Vs Foodgrain Production in India (Rs. in Crores)/ (Millon Tons)

Year	Credit	%age of Agri. Credit to Agri. GDP	Foodgrain Prod.
1997-98	31956	NA	192
1998-99	36860	NA	204
1999-00	46268	10.19	210
2000-01	52827	11.55	197
2001-02	62045	12.73	213
2002-03	69560	14.85	175
2003-04	86981	16.27	213
2004-05	125309	22.53	198
2005-06	180486	29.98	208
2006-07	229400	30.56	217
2007-08	243569	NA	230

Source: NABARD & Economic Survey. Note: NA= data is not available

Population has increased from 839 million in 1991 to 1019 million in 2001

Table no 4.11 explain the trends of agriculture credit flow and foodgrain production in India. Total credit has increased from 31956 crore in 1997-98 to 243569 crore in 2007-08. It has increased near to 7.6 times in above said time period. While production of foodfrain in India has increased from 192 million tons in 1997-98 to 230 million tons in 2007-08. It has increased near to 1.2 times in above said time period. This growth rate of foodgrain is not appropriate to fulfill the food requirement for present population (1.6%) growth rate.

Table no 4.12 depict the trends of institutional credit to agricultural and allied activities in India. It has increased from 69560 crore in 2002-03 to 446779 crore in 2010-11. It has increased near to 6.4 times in above said time period. While in case of SCBs, RRBs &Co-opts banks it has increased from 39774, 6070 & 23716 crore in 2002-03 to

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179869, 29073 & 53187 crore in 2011-12 respectively. It has increased near to 4.5, 4.8 & 2.2 times respectively in above said time period. We found that co-operative banks are failed in their objective. Their performance is poor in comparisition to other banks. While, co-operative banks are established for the development of agriculture and rural areas.

Table 4.12: Institutional Credit to Agricultural and Allied Activities in India. (Rs. in crores)

Year	Co-opt.	RRBs	SCBs	Total
2002-03	23716 (34)	6070 (09)	39774 (57)	69560 (100)
2003-04	26959 (31)	7581 (09)	52441 (60)	86981 (100)
2004-05	31424 (25)	12404 (10)	81481 (65)	125309 (100)
2005-06	39786 (22)	15223 (08)	125477 (70)	180486 (100)
2006-07	42480 (18)	20435 (09)	166486 (73)	229401 (100)
2007-08	48258 (19)	25312 (10)	181088 (71)	254658 (100)
2008-09	36762 (15)	26724 (09)	228951 (76)	292437 (100)
2009-10	63497 (17)	35218 (09)	285799 (74)	384514 (100)
2010-11	70105 (16)	43968 (10)	332706 (74)	446779 (100)
2011-12*	53187 (20)	29073 (11)	179869 (69)	262129 (100)

Source: NABARD

*Upto 30 October, 2011.

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Table 4.13: Agency-wise Kishan Credit Cards (KCCs) Issued in India. (in Lakh)

Year	Co-opt.	RRBs	SCBs	Total
1998-99	1.56	0.06	6.22	7.84
1999-00	35.95	1.73	13.66	51.34
2000-01	56.14	6.48	23.90	86.52
2001-02	54.36	8.34	30.71	93.41
2002-03	45.79	9.64	27.00	82.43
2003-04	48.78	12.75	30.94	92.47
2004-05	35.56	17.29	43.95	96.80
2005-06	25.98	12.49	41.65	80.12
2006-07	22.97	14.06	48.08	85.11
2007-08	20.91	17.73	46.06	84.70
2008-09	13.44	14.15	58.34	85.93
2009-10	17.43	19.49	53.13	90.05
2010-11	28.12	17.74	55.83	101.69
2011-12	17.58	10.57	11.79*	39.94

Source: NABARD

*Upto June 30, 2011.

As a result, the share of agriculture in total bank credit of the scheduled commercial banks fell below the 18 per cent target. In recent years, in response to the agrarian crisis, there have been a number of initiatives to expand credit to agriculture such as the doubling of credit within three years, the issue of Kisan Credit Cards (KCCs), the introduction of institutional agencies such as agency banking and extension of the model of Self-Help Groups (SHGs) to farmers, the revitalisation of the cooperative credit structure and the Government's acceptance of the principle of inclusive banking.

Table no 4.13 depict the agency-wise Kishan Credit Cards (KCCs) issued in India. It has increased from 7.84 lakh in 1998-99 to 39.94 lakh in 2011-12. It has increased near to 5.1 times in above said time period. While in case of SCBs, RRBs &Co-opts banks it has increased from 6.22, 0.06 & 1.56 lakh in 1998-99 to 55.83, 17.74 & 28.12 lakh in 2010-11 respectively. It has increased near to 9, 296 &18 times respectively in above said time period. It is a good sign because KCC is a measure source of short term credit for farmers.

Table4.14: Agency-wise Amount Sanctioned through KCCs. (Rs. in crores)

Year	Co-opt.	RRBs	SCBs	Total
2006-07	13141 (28.12)	7373 (15.78)	26215 (56.10)	46729 (100)
2007-08	19991 (22.65)	8783 (9.90)	59530 (67.45)	88262 (100)
2008-09	8428 (15.88)	5648 (10.64)	39009 (73.48)	53085 (100)
2009-10	7606 (13.19)	10132 (17.57)	39940 (69.24)	57678 (100)
2010-11	10719 (14.76)	11468 (15.79)	50438 (69.45)	72625 (100)
2011-12	7461 (27.96)	6568 (24.62)	12652* (47.42)	26681 (100)

Source: NABARD

*Upto June 30, 2011.

Table no 4.14 depict the agency-wise Amount Sanctioned through Kishan Credit Cards (KCCs) in India. It has increased from 46729 crore in 2006-07 to 72625 crore in 2010-11. It has increased near to 1.6 times in above said time period. While in case of SCBs, RRBs &Co-opts banks it has increased from 26215, 7373 & 13141 crore in 2006-07 to 50438, 11468 & 10719 crore in 2010-11 respectively. It has increased near to 1.9, 1.6 &0.8 times respectively in above said time period. It is a good sign because KCC is a measure source of short term credit for farmers. But it also shows that contribution of SCBs in term of percentage is highest in comparisition to RRBs & Co-operatives during study period.

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Institutional Credit to Agriculture in Haryana

SCBs in Haryana has played a significant role in agricultural since nationalization of banks. The year- wise progress of agricultural Advances of commercial banks in Haryana is presented in Table No. 4.15.

Table 4.15 - Agricultural Advances of SCB's in Haryana (Rs in Crores)

Year	No of Borrowers	Advances
1996-97	413271	1145
1997-98	361869	1210
1998-99	351968	1468
1999-00	415074	1730
2000-01	484381	1898
2001-02	443483	2742
2002-03	422015	3119
2003-04	479692	3952
2004-05	534368	4872
2005-06	600838	7125
2006-07	663115	9904
2007-08	696622	11049
2008-09	772630	12492
2009-10	811083	15688

Source: Money & Banking, Centre for Monitoring Indian Economic 2001to 2011

The table 4.15 reveals that SCBs advances to agriculture have increased significantly. The volume of agricultural advances in the state has increased from Rs 1145 crores in 1996-97 to Rs. 15688 crores in 2009-10, registering an increase of 13.7 times. Number of borrowing cultivator accounts has also increased from 413271 in 1996-97 to 811083 in 2009-10, showing a increase of 2 times in the same period. The growth rate of agricultural advances vary between 5.66 to 46.25 during the study period. The growth rate of agricultural advances which stood at 44.47 in year 2001-02 but decreased to level 14.48 in year 2002-03 and again increased to level 46.25 in year 2005-06.

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Direct Agricultural Advances in Haryana

In Haryana like other parts of the country the SCBs has helped the farmers directly quite much more then helped indirectly. In this sort of financing the farmers get the finance directly and the relation of lender and loanees figures directly between the bank and the farmer.

Table 4.16 has been presented to show the participation of direct advances to agricultural advances during the study period.

Table 4.16- Direct Agriculture Advances of SCBs in Haryana (Rs in Crores)

Year	No of Borrowers	Amt. Outstanding
1996-97	408607	1020
1997-98	356218	1121
1998-99	346590	1370
1999-00	407083	1630
2000-01	476585	1787
2001-02	430594	2107
2002-03	412886	2753
2003-04	468911	3414
2004-05	522686	4268
2005-06	589639	5938
2006-07	650891	7869
2007-08	686255	8648
2008-09	751698	10102
2009-10	800441	12462

Source: Various Money and Banking CMIE, 1996 to 2011.

Table 4.16 shows that there is increasing trends in direct agricultural advances of SCBs during the period of study. Direct agricultural advances in the state Haryana has increased from Rs. 1020 crore in 1996-97 to Rs. 12642 crores in 2009-10, registering an increase of 12 times while the number of borrower’s accounts has increased from 408607 in 1996-97 to 800441 showing increase of 51 percent during the same period.

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The numbers of borrower's accounts are showing fluctuating trends up to 2002-03 and after that it is increasing trends.

Direct Agricultural Advances vis-a-vis Total Agricultural Advances

This is a settled fact that direct agricultural advances are more meaningful to the farmers and farming both; that is why in Haryana much of agriculture advances have been given away in the form of direct agricultural advances. The direct agricultural advances provided by the SCBs to the farmers are given in the total 4.17.

Table 4.17 - Direct and Total Agricultural Advances in Haryana (Rs. in crore)

Year	Direct Advances	Total Agricultural Advances	% Share of Direct Advances
1996-97	1020	1145	89.00
1997-98	1121	1210	92.60
1998-99	1370	1468	93.20
1999-00	1630	1730	94.11
2000-01	1787	1898	94.10
2001-02	2107	2742	76.80
2002-03	2753	3119	88.20
2003-04	3414	3952	86.30
2004-05	4268	4872	87.60
2005-06	5938	7125	83.34
2006-07	7869	9904	79.45
2007-08	8648	11049	78.27
2008-09	10102	12492	80.86
2009-10	12462	15688	79.44

Source: Money & Banking CMIE 2001to 2011

Table 4.17 explains clearly that the percentage share of direct agricultural advances in total agricultural advances is more than 78 percent throughout the study period except year 2001-02. It means the credit requirement of the farmers are directly assessed and met by the SCBs. The direct agricultural advances have been grown at a faster rate than

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the growth in number of accounts. The percentage share of direct advance is the highest with 94.11 percent in 1999-00 and lowest with 76.80 percent in 2001-02.

Comparative Position of Direct Agricultural Advances

Scheduled SCBs in India has made all efforts to procure finance to the farmers and in this process the direct financing has been the main stay. Table 4.18 incorporates that the percentage of direct agriculture advances in relation to total advances. To evaluate the performance of SCBs in Haryana the comparative data for the whole country has also been presented in this table. The study of this table will give the basis of role of SCBs in agricultural financing in the state of Haryana.

Table 4.18 - Agricultural Advances in Haryana as well as India (in %age)

Year	Haryana	India
2003-04	21.66	10.93
2004-05	20.97	10.79
2005-06	20.75	11.41
2006-07	23.84	11.82
2007-08	22.08	11.34
2008-09	19.41	10.87
2009-10	18.87	11.67

Source: Money and Banking CMIE 1996 to 2011

Table 4.18 explicit that agricultural advances in Haryana as well as all India. It shows that whole study period Haryana remain greater than the corresponding figure for India. The percentage share of agricultural advances of the SCBs in Haryana is declining while it is fluctuating in India. In Haryana, it declined from 21.66 percent in 2003-04 to 18.87 percent in 2009-10. Result shows that SCBs has no keen interest in agriculture advances while demand of agricultural advances is increasing day by day due to commercialization and modernization of agricultural sector. In case of India it was lowest 10.79 percent in 2004-05 and highest 11.82 percent in 2006-07.

Table 4.19 explains that the total percentage share of direct agricultural financing in Haryana all over the study period remain greater than the corresponding figure for India.

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The percentage share of direct agricultural advances in the total advances of the SCBs in Haryana as well as in India is declining. In Haryana, it declined from 18.06 percent in 1996-97 to 14.99 percent in 2009-10. Result shows that SCBs has no keen interest in agriculture advances while demand of agricultural advances is increasing day by day due to commercialization and modernization of agricultural sector. In India it also has declined from 11.25 percent in 1996-97 to 8.87 percent in 2009-10.

Table 4.19 - Direct agricultural advances in Haryana as well as India (in %age)

Year	Haryana	India
1996-97	18.06	11.25
1997-98	16.56	9.25
1998-99	17.57	8.88
1999-00	17.91	8.38
2000-01	16.62	8.06
2001-02	16.35	7.23
2002-03	17.57	7.81
2003-04	18.70	7.96
2004-05	18.37	8.21
2005-06	17.29	8.23
2006-07	18.94	8.80
2007-08	17.28	8.79
2008-09	15.70	8.38
2009-10	14.99	8.87

Source: Money and Banking CMIE 1996 to 2011

Note: The percentage of direct agricultural advances of total advances.

Indirect Advances to Agricultural Sector in Haryana

Indirect finance to agricultural sector by SCBs are principally concerned with assistance to individual agencies undertaking the distributions of fertilizers and other inputs, financing to primary agricultural credit co-operating societies and loans to electricity boards for their well energisation programme. It may be recalled that the entry of SCBs in the field of agricultural finance directly outpaced the indirect financing to the

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agricultural sector. Table 4.20 depicts the role of SCBs in Haryana in providing indirect financing to agricultural.

Table 4.20 - Indirect Agricultural Advances of SCB's in Haryana. (Rs. in crores)

Year	No of borrowers indirect accounts	Total No. of borrowing accounts	Indirect advances	Total Agri. Advances
1996-97	4664 (1.13)	413271	126 (10.97)	1145
1997-98	5651 (1.56)	361869	90 (7.4)	1210
1998-99	5378 (1.53)	351968	99 (6.72)	1468
1999-00	7991 (1.93)	415074	101 (5.81)	1730
2000-01	7796 (1.60)	484381	111 (5.85)	1898
2001-02	12889 (2.90)	443483	635 (23.15)	2742
2002-03	9129 (2.16)	422015	366 (11.73)	3119
2003-04	10781 (2.24)	479692	584 (13.63)	3952
2004-05	11882 (2.16)	534368	603 (12.38)	4872
2005-06	11199 (1.85)	600838	1187 (16.65)	7125
2006-07	12224 (1.84)	663115	2035 (20.55)	9904
2007-08	10367 (1.49)	696622	2401 (21.73)	11049
2008-09	10932 (1.41)	772630	2391 (19.14)	12492
2009-10	10642 (1.31)	811083	3226 (20.56)	15688

Source: - Money & Banking, (CMIE) 2001 to 2011.

Note: - Figure in bracket represents the percentage of total.

The table 4.20 depicts that indirect advances of SCBs to agricultural sector in Haryana is showing fluctuating trends. The numbers of borrower's for indirect accounts also showing fluctuating trends. Numbers of borrower's for indirect accounts was lowest (4664) in 1996-97 and highest (12889) in 2001-02. It also shows that the percentage of borrowers for indirect accounts is in fluctuating trends. The highest percentage of borrower's indirect accounts is 2.90 in 2001-02 and lowest is 1.13 in 1996-97.

Indirect Advances of Total Advances

To evaluate the performance of commercial banks in Haryana as well as all India's comparative data has been presented in total no 4.21.

Table 4.21- Indirect Agricultural Advances of Total Advances of SCB's in Haryana as well as India (in %age)

Year	Haryana	India
1996-97	2.22	1.55
1997-98	1.32	1.44
1998-99	1.26	1.82
1999-00	1.11	1.54
2000-01	1.03	1.54
2001-02	4.92	2.53
2002-03	2.33	2.23
2003-04	2.95	2.97
2004-05	2.59	2.58
2005-06	3.45	3.18
2006-07	4.90	3.01
2007-08	4.80	2.55
2008-09	3.71	2.49
2009-10	3.88	2.79

Source: Money & Banking, CMIE, 2001 to 2011.

It is clear from the table 4.21 that Haryana is better position in the percentage share of indirect agricultural advances to total advances in comparison to all India in whole study period. In case of Haryana the highest percentage of indirect agricultural advances to total advances is 4.92 percent in 2001-02 and lowest 1.03 percent in 2000-01. While in case of all India the highest percentage of indirect agricultural advances to total advances is 3.18 percent in 2005-06 and lowest 1.44 percent in 1997-98.

The table 4.22 depicts the agricultural credit through plans in Haryana. Table shows that there is increasing trends in agricultural credit through plans in Haryana of SCBs during the period of study. Agricultural credit target and achievement through plans has increased from 2516 crore and 2523 crore in 1998-99 to 15823 crore and 13450 crore in 2011-12 respectively. The target and achievement has increased 6.3 &5.3 times

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respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

Table 4.22- Agricultural Credit through Plans in Haryana (Rs. in Crores)

Year	Target	Achievement	% age Achievement
1998-99	2516	2523	100
1999-00	3025	3141	104
2000-01	3578	3754	105
2001-02	4264	4219	99
2002-03	4778	4798	100
2003-04	5821	6029	104
2004-05	4989	5070	102
2006-07	6139	6138	100
2008-09	8415	5646	67
2009-10	9014	9739	108
2010-11	11103	13748	124
2011-12	15823	13450	85

Source: Money & Banking, CMIE, 2001 to 2011.

Table 4.23: Advances by Co-operative Banks to Agriculture in Haryana (Rs. in Crores)

Year	Target	Achievement	% age Achievement
2001-02	2752	2480	90
2004-05	3130	2988	95
2006-07	3103	2443	79
2008-09	3846	1411	37
2009-10	3658	2573	70
2010-11	3983	2826	71
2011-12	4133	3012	73

Source: Money & Banking, CMIE, 2001 to 2011.

The table 4.23 depicts the agricultural advances through Co-operatives banks in Haryana. Table shows that there is increasing trends in agricultural advances through

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Co-operatives banks in Haryana during the study period. Agricultural credit target and achievement of Co-operatives banks has increased from 2752 crore and 2480 crore in 2001-02 to 4133 crore and 3012 crore in 2011-12 respectively. The target and achievement has increased 1.5 &1.2 times respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

Table 4.24: Advances by Haryana State Co-operative Agriculture and Rural Development Bank (Rs. in Crores)

Year	Target	Achievement	% age Achievement
1998-99	273	222	82
1999-00	308	231	75
2000-01	316	262	83
2001-02	347	300	87
2004-05	339	419	107
2006-07	317	91	29
2008-09	245	105	43
2009-10	236	120	51
2010-11	283	119	42
2011-12	298	121	40

Source: Money & Banking, CMIE, 2001 to 2011.

The table 4.24 depicts the agricultural advances through Co-operatives banks and Rural Development Bank in Haryana. Table shows that there is fluctuating trends in agricultural advances through Co-operatives banks and Rural Development bank in Haryana during the study period. Target amount is highest 347 crore in 2001-02 and lowest 236 crore in 2009-10. Achievement amount is highest 419 crore in 2004-05 and lowest 91 crore in 2006-07. The percentage of achievement also shows fluctuating trends in this period.

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Table 4.25- Agriculture Advances by C Bs and RRBs in Haryana (Rs. in Crores)

Year	Target	Achievement	% age Achievement
2001-02	1166	1439	123
2002-03	1445	1764	122
2003-04	2328	2682	115
2004-05	2115	2752	130
2005-06	2719	3605	133
2006-07	2719	3605	133
2008-09	4323	4131	96
2009-10	5120	7046	138
2010-11	6837	10803	158
2011-12	11394	10318	91

Source: Economic Survey of Haryana 2000 to 2012

The table 4.25 depicts the agricultural advances through Commercial banks and Regional Rural banks in Haryana. Table shows that there is increasing trends in agricultural advances target as well as achievement through Commercial banks and Regional Rural banks in Haryana during the study period. Agricultural credit target and achievement of Commercial banks and Regional Rural banks has increased from 1166 crore and 1439 crore in 2001-02 to 11394 crore and 10318 crore in 2011-12 respectively. The target and achievement has increased 9.7 &7.2 times respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

CONCLUSION

On the basis of above chapter we find that Government of India (GOI) make a target for financing 50 lakh new farmers annually but Government is failed to achieve this target. GOI also failed to provide loan upto Rs. 3 lakh at 7% rate of interest. In the present era non-institutional factor play a dominate role to provide finance to farmer. Other side 3-4 crore defaulting farmers expected to avail benefit & become eligible for fresh finance due to corruption or their political relation. Decline in credit flow - Agriculture credit declined from Rs. 66,888 cr., during Apr.-July '07 to Rs.54,179 cr., during the

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corresponding period of 2008-09. No of farmers financed declined from 159 lakhs to only 98 lakhs during the same period. New accounts financed declined from 21 lakhs to 15 lakhs. Significant economic changes/increasing diversification in agriculture. In India there is 11 crore farmers but nearly 7 crore farmers issued KCCs; there is a lot of scope for issue of more KCCs. Short term and Medium term finance fulfill 55% to 60% of farm credit by commercial and co-operative banks in India. Rescheduling of loans and relief packages are not helping farmers. Crop Insurance is not farmer friendly. They required Govt. Support. It is very difficult to sustain agricultural credit at 7% considering hardening of market interest rates, unless GoI continues to provide subvention. Cooperative Banks suffer from structural and financial weaknesses; Governmental should interference, because they are facing the problem of lack of professionalism, good governance and adequate infrastructure, etc. Agriculture extension is a major issue in India as well as Haryana. It is increasing very fastely.

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Chapter – 5

Findings and Suggestions

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The agriculture and rural development are highly inter-related. Agriculture has been considered as crucial sector to generate major proportion of employment. Productive job opportunities are to be created in rural areas through development of agriculture, irrigation facilities, rural infrastructure and promotion of village and cottage industries for rural development by providing cheaper bank loan.

In a planned economy like India, which primarily aims to ameliorate the conditions of the rural poor through creation of employment opportunities, improvement of skills and productivity of land and labour, banks are expected to play an active role in development irrespective of how they come up, who own them and what they were doing up till now. The organization of co-operative credits system, the conversation of Imperial bank of India into State Bank of India, introduction of social control over banks and later the nationalization of major banks all were to ensure that the banks no longer remain unconcerned with the needs of agriculture finance. They are required to play an active role in improving the productivity of human and natural resources in India, for the development of rural areas as well as agriculture sector and uplift the poor sections of society. The role of the banks in the present context has to be viewed from this basic consideration.

In the rural areas most of the households are illiterate and tradition bound. Adding to this difficulty is the uncertainty about farm production owing to dependence on rainfall and weather conditions. All these factors mean that where as many of the low-income households are not in a position to borrow at a higher rate of interest, the risk involved and the cost of servicing such a large number of small loans in remote and far-flung villages would necessitate the credit agencies to keep themselves at an arm’s length. In an adverse situation like this, the lending agencies are generally reluctant to finance the poorer groups.

In the rural areas most of poorer sections, do not have adequate assets base to improve their productivity and income. The first task of any credit institutions is therefore, to assist these target groups to acquire and build up their land and non-land based assets. In the development context, implies that the role of banks should contribute to promote various development programme and resources mobilization in the rural sector.

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Development efforts would call for primarily lending for creation of assets and secondly for augmenting production from the existing assets as also from additional assets created through lending. So that, banks should help the socially backward groups not only by providing money but also arranging for supporting services, so that the borrower gets all the inputs required and technical guidance to make proper use of the bank loan.

Findings are very important in each research study. A study will be incomplete without proper findings. Findings make the study better and easily understandable. It is the brief picture of the whole research study. An attempt is made to put together some important points emerging from preceding analysis. The present chapter presents the finding of the research on the topic "**AGRICULTURAL FINANCE PROVIDED THROUGH SCHEDULED COMMERCIAL BANKS IN HARYANA**." Besides, some valuable suggestions have also been advanced on the basis of results findings.

Finding Regarding Agriculture Production

The analysis of indebtedness among farmer households shows that about half of them

Were in debt and three-fifths of their debt was owed to institutional sources. The total debt of about Rs. 1.12 lakh crore in 2003, Rs.48,000 crore was sourced from non-institutional agencies, of which Rs.18,000 crore of debt carried an interest rate greater than 30 per cent. There is a need to relieve the farmers from private debt carrying high interest rate by transferring it to institutional agencies.

Farmers' indebtedness is strikingly a regional phenomenon; it is low in less developed states particularly hill states and generally high in agriculturally developed states. In all states which had reported suicides among farmers, the incidence as well as debt per farmer household is high. However, sources of debt varied. For example, in Maharashtra, the major source was institutional agencies, whereas in Andhra Pradesh, non-institutional agencies accounted for bulk of the debt. This suggests that while formalisation of informal debt is an important step in reducing debt burden of farmers, other measures to ensure assured income from farm and non-farm sources are equally essential.

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Contrary to the often-held view, a major share of farmers' debt (more than 60 per cent in most of the states) was for productive purposes. However, there has been a marginal decline in the 1990s due to a decline in the share of debt incurred for capital expenditure. This declining trend needs to be reversed.

Agriculture is the backbone of the economy of Haryana. About 20 percent of the total income of the state comes from agriculture and allied activities. It reveals that total cropped area in the state has increased from 45.99 lakh hectares in 1966-67 to 63.51 lakh hectares in 2009-10. The gross area sown was 45.99 lakh hectares during 1966-67 and has increased to 65.10 lakh hectares during 2008-09.

It reveals that Haryana seems to have reached saturation in net sown area. Tubewells as a source of irrigation has increased tremendously as compared to other sources of irrigation tubewells constitute 51.25 percent of total irrigation facilities in the state. The cannals irrigated area in the state has decreased from 76.60 percent in 1966-67 to 41.77 percent in 2009-10.

Study finds that the consumption of fertilizers in Haryana has increased less than 42 kg to per hectare in 1980-81 to 210 kgs per hectare in 2011-12. The consumption of fertilizers has been an increasing trend except 2003-04. The consumption of fertilizer in Haryana has increased form 13347 tones in 1966-67 to 1357622 tones in 2010-11. The table also shows that consumption of fertilizer N, P &K has increased from 12626, 574 &147 tones in 1966-67 to 974045, 335950 & 47627 tones in 2010-11 respectively. It shows that consumption of fertilizer is fluctuating during the study period.

It reveals that the consumption of pesticides is the highest with 5102 tones in 1994-95 and the lowest with 273 tones in 1966-67. The consumption of pesticides kg/per hectors is a fluctuating trend.

We found that the use of threshers/combine harvester's machines has shown maximum increase of 285.27 percent in 1989-90 to 2003-04. The numbers of tractors along with tube wells and pump sets have also increased tremendously to about 53.34 percent and 30.96 percent over the entire period respectively. The plough and sugarcane crushers have declined to 56.07 percent and 53.86 percent respectively in the same period. Use

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of tractor in Haryana has increased form 4803 in 1966-67 to 262236 in 2011-12. It shows the advancement in Haryana agriculture.

Researcher found that regulated markets have increased from 50 in 1969-70 to 106 in 2010-11 followed by sub-yards which increased from 60 to 178 during the same period respectively. Similarly average served per regulated market has declined from 884 sq. kms in 1969-70 to 417 sq. kms in 2010-11. The total storage capacity of different agencies in the state has increased from 23.62 lakh tones in 1989-90 to 57.37 lakh tones in 2010-11, showing an increase of about 41.17 percent. The highest increase 262.90 percent in the storage capacity is noticed in Hafed and the highest decline 54.32 percent in the case of Agriculture Refinanced Development Corporation.

We find that state achieved a record production 153.45 lakh tones of foodgrain in 2009-10. Achievements made in this regard depicted in table 3.10. The production of total food grains in Haryana which was 25.92 lakh tones in 1966-67. It has increased upto 153.45 lakh tones in 2009-10. It registered net increase of 16.89 percent during this period. The production of rice and wheat crops have increased 25.56 lakh tones and 75.28 lakh tones in 1997-98 to 36.28 lakh tones and 104.88 lakh tones in 2009-10 respectively.

It made net increase of 70.45 percent in rice and 71.78 percent in wheat. It shows that the production of sugarcane is highest in 2006-07 with 96.51 lakh tones and it is lowest in 1980-81 with 46 lakh tones. The production of the oil and cotton is fluctuating trends. It is more or less during the period.

We find that the yield rate of rice, wheat, cotton and oilseeds is higher in Haryana as compared to All India level. In case of sugarcane, the yield rate is higher in India. In the year 1990-91, the yield of wheat is higher in India only whereas Haryana reported higher yields in the later period. Yield rate of wheat has gone up substantially in Haryana. The yield rate of rice fell substantially in Haryana, while, the yield rates of sugarcane, cotton and rice reported higher in India level as compared to Haryana. . It shows that production of wheat and rice in Haryana is highest in Haryana in comparison to India in whole study period. It shows the advancement of Haryana in foodgrains production in comparisation to other state. It also shows the high contribution of

Haryana in the production of foodgrain in India and advancement of Haryana in adaptation of new technology.

Study find that index area of agriculture in Haryana has increased, from 115.85 in 1996-97 to 123.57 in 2010-11, it registering an increase of 93.75 percent. The index number of productivity is fluctuating trends during the period. It is highest 225.68 in the year 2010-11 while its lowest 138.95 in 1997-98. The index number of production also shows the fluctuating trends during the period. It is highest 278.87 in the year 2010-11 while it's lowest 188.23 in 1997-98.

Finding Regarding Institutional Finance to Agriculture

Study finds that relative share of borrowing of cultivator households from different sources which was little over 7.3 per cent in 1951, increased manifold to over 68.8 per cent in 2010, reflecting concomitantly a remarkable decline in the share of non-institutional credit from around 93 per cent to about 30 per cent during the same period. Share of money lenders credit also decline from around 70 per cent to about 22 per cent during the same period. It shows the development of financial institution in India.

We find that notwithstanding their wide network, co-operative banks, particularly since the 1990s have lost their dominant position to commercial banks. The share of cooperative banks (18 per cent) during 2009-10 is less than half of what it was in 1991-92 (22 per cent), while the share of commercial banks (43 to 69 per cent) including RRBs (4 to 13 per cent) almost doubled during the above period. Institutional credit to agriculture recorded a growth of around 23 per cent during 1995-96 to 2008-09 from little over 14 per cent during 1991-92 to 2008-09. In terms of total credit to agriculture, the commercial banks recorded a considerable growth (from around 43 per cent to about 69 per cent), while cooperative banks registered a fall (over 52 per cent to over 18 per cent) during the above period. There is a considerable increase in RRBs from 4 percent to 13 per cent.

We find that share of agriculture in total credit is hardly near to 10 percent. It is not satisfactory in an agriculture dominant country. It is reported near to 8 time hike in gross bank credit during the study period.

We find that short-term credit has remained the dominant component of total credit, its relative importance declined from 70.3 per cent in 1975-76 to 58.1 per cent in 2005-06. Share of cooperatives in total credit to agriculture declined from 69.5 per cent to 21.8 per cent, whereas the share of scheduled commercial banks increased from 24.2 per cent to 69.5 per cent.

Study find that share of cooperative credit in total agricultural credit had gone down from 70.8 per cent in 1975-76 to only 21.8 per cent in 2005-06. While the share of cooperatives in short-term credit in the form of crop loans declined from 74.9 per cent to 33.2 per cent; its share in long-term credit declined steeply from 61.2 per cent to 6.0 per cent. Concurrently, commercial banks became the dominant source of credit to the agricultural sector. We find that agricultural credit flow at current prices in India has increased near to 53 times in study period. While short term credit and term credit has increased near to 52 &54 times respectively in same time period.

Researcher find that share of indirect finance in total outstanding credit to agriculture was 16% in 2000 which increased to 28% in 2006 and stood at 24% in 2010. We conclude that growth of funds flow to agriculture trough all banks in India after farm credit package has decreased from 44.06 percent in 2004-05 to 6.17 percent in 2007-08. While target and achievement amount has increased near to 2.7 & 2 time respectively in above said time period.

We find that agriculture credit account number through farmer financed in India has increased near to 1.4 times in study period. While in case of SCBs, RRBs &Co-opts banks it has increased near to 1.8, 1.2 &1.2 times respectively in same time period. This growth rate is not satisfactory for the development and fulfilment the agriculture credit requirement.

Study finds that total agriculture investment in India has increased near to 4.2 times in study period. In case of production and investment amount in agriculture has increased near to 4.9 & 3.1 times respectively in above said time period.

Study finds that agriculture credit flow and production of foodfrain in India has increased near to 7.6 &1.2 times in study period. This growth rate of foodgrain is not appropriate to fulfill the food requirement for present population (1.6%) growth rate.

We find that institutional credit to agricultural and allied activities in India has increased near to 6.4 times in study period. While in case of SCBs, RRBs &Co-opts banks it has increased near to 4.5, 4.8 & 2.2 times respectively in study period.

We find that Kishan Credit Cards (KCCs) issued in India has increased near to 5.1 times in study period. While in case of SCBs, RRBs &Co-opts banks it has increased near to 9, 296 &18 times respectively in above said time period. It is a good sign because KCC is a measure source of short term credit for farmers. Amount Sanctioned through Kishan Credit Cards (KCCs) in India has increased near to 1.6 times in same time period. While in case of SCBs, RRBs &Co-opts banks it has increased near to 1.9, 1.6 &0.8 times respectively It is a good sign because KCC is a measure source of short term credit for farmers. But it also shows that contribution of SCBs in term of percentage is highest in comparisition to RRBs & Co-operatives during study period.

FINDING ON THE BASES OF HARYANA

Study finds that scheduled commercial banks advances to agriculture have increased significantly. The volume of agricultural advances in the state has increased from Rs 1145 crores in 1996-97 to Rs. 15688 crores in 2009-10, registering an increase of 13.7 times. Number of borrowing cultivator accounts has also increased from 413271 in 1996-97 to 811083 in 2009-10, showing a increase of 2 times in the same period. The growth rate of agricultural advances varies from 5.66% to 46.25% during the study period. The growth rate of agricultural advances which stood at 44.47 in year 2001-02 but decreased to level 14.48 in year 2002-03 and again increased to level 46.25 in year 2005-06.

Direct agricultural advances in the state Haryana has increased from Rs. 1020 crore in 1996-97 to Rs. 12642 crores in 2009-10, registering an increase of 12 times while the number of borrower’s accounts has increased from 408607 in 1996-97 to 800441 showing increase of 51 percent during the same period. The numbers of borrower’s accounts are showing fluctuating trends up to 2002-03 and after that it is increasing trends. We also find that percentage share of direct agricultural advances in total agricultural advances is more than 78 percent throughout the study period except year 2001-02. The direct agricultural advances have been grown at a faster rate than the

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growth in number of accounts. The percentage share of direct advance is the highest with 94.11 percent in 1999-00 and lowest with 76.80 percent in 2001-02.

Study finds that in whole study period Haryana remain greater agricultural advances in comarisition in India. The percentage share of agricultural advances of the SCBs in Haryana is declining while it is fluctuating in India. In Haryana, it declined from 21.66 percent in 2003-04 to 18.87 percent in 2009-10. Result shows that SCBs has no keen interest in agriculture advances while demand of agricultural advances is increasing day by day due to commercialization and modernization of agricultural sector. In case of India it was lowest 10.79 percent in 2004-05 and highest 11.82 percent in 2006-07.

We find that the percentage share of direct agricultural advances in the total advances of the SCBs in Haryana as well as in India is declining. In Haryana, it declined from 18.06 percent in 1996-97 to 14.99 percent in 2009-10. In India it also declined from 11.25 percent in 1996-97 to 8.87 percent in 2009-10.

Researcher found that an indirect advance of SCBs to agricultural sector in Haryana is showing fluctuating trends. The numbers of borrower's for indirect accounts also showing fluctuating trends. Numbers of borrower's for indirect accounts was lowest (4664) in 1996-97 and highest (12889) in 2001-02. It also shows that the percentage of borrowers for indirect accounts is in fluctuating trends. The highest percentage of borrower's indirect accounts is 2.90 in 2001-02 and lowest is 1.13 in 1996-97.

We find that Haryana is better position in the percentage share of indirect agricultural advances to total advances in comparison to all India in whole study period. In case of Haryana the highest percentage of indirect agricultural advances to total advances is 4.92 percent in 2001-02 and lowest 1.03 percent in 2000-01. While in case of all India the highest percentage of indirect agricultural advances to total advances is 3.18 percent in 2005-06 and lowest 1.44 percent in 1997-98.

Study finds that there is increasing trends in agricultural credit through plans in Haryana of SCBs during the period of study. Agricultural credit target and achievement through plans has increased from 2516 crore and 2523 crore in 1998-99 to 15823 crore and 13450 crore in 2011-12 respectively. The target and achievement has increased 6.3

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&5.3 times respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

Study finds that there is increasing trends in agricultural advances through Co-operatives banks in Haryana during the study period. Agricultural credit target and achievement of Co-operatives banks has increased from 2752 crore and 2480 crore in 2001-02 to 4133 crore and 3012 crore in 2011-12 respectively. The target and achievement has increased 1.5 &1.2 times respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

We find that there is increasing trends in agricultural advances target as well as achievement through Commercial banks and Regional Rural banks in Haryana during the study period. Agricultural credit target and achievement of Commercial banks and Regional Rural banks has increased from 1166 crore and 1439 crore in 2001-02 to 11394 crore and 10318 crore in 2011-12 respectively. The target and achievement has increased 9.7 &7.2 times respectively during the study period. The percentage of achievement shows the fluctuating trends during study period.

SUGGESTIONS OF THE STUDY

The issue of farmers' indebtedness becomes a matter of intense debate whenever the agricultural sector faces distress. But, the root cause of the current crisis is not indebtedness alone - indebtedness is just a symptom. The underlying causes are stagnation in agriculture, increasing production and marketing risks, institutional vacuum and lack of alternative livelihood opportunities. In fact, the credit needs of the agricultural sector have vastly expanded in the wake of its modernisation and commercialisation. There is an urgent need to expand the production base of agriculture with emphasis on small and marginal farmers so as to integrate them with mainstream development. This calls for appropriate technological innovations, institutional alternatives and introduction of novel instruments of intervention.

There is large scope for institutional agencies to expand the credit base of farm households further. Institutional credit availability to agriculture should be increased, excluded sections of the farmer households be brought into its ambit and a qualitative improvement in the credit delivery arrangements be brought about. The debt burden of

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farmers to informal sources should be reduced by formalising it through transferring the informal debt to formal institutions.

Rain-fed areas are particularly prone to year-to-year fluctuations of production and degradation of environmental resources. Concerted efforts are needed to rejuvenate their natural resource base as also to stabilise and augment the income sources of farm households.

In the present liberalised trade and market regime, farmers are exposed to price volatility because of fluctuations in domestic production and wide fluctuations in international prices. Currently no adequate and effective risk mitigating measures exist to counter the adverse impact of such fluctuations. Further, rapid changes in information and space technology which hold immense potential have hardly been used to provide timely weather signals to the farmers and thereby mitigating the weather induced risks.

Since the mid-1990s, large sections of the farm households have been facing a great deal of distress as a consequence of decline in agricultural income, erosion of their repayment capacity and increased debt burden. Reversal of this trend would require not only adequate institutional credit to farmers but also undertaking steps to revive agriculture which would help increase credit absorptive capacity of farmers.

Policy interventions and institutional reforms may be essential for resolving the farm crisis, which go beyond the credit delivery system. In the long-term interest of the financial system, a positive repayment culture for bank loans deserves to be actively promoted. There should be a sound system of incentives for prompt repayment.

The most serious aspect of the crisis in agriculture is deceleration in its growth along with the distressed state of farmers in general and that of small and marginal farmers in particular. Innovative alternatives are needed to provide them with better institutional credit support. For this purpose, the Expert Group feels that the objectives would be served better if farmers, especially small and marginal farmers, are organised through collectives like Self-Help Groups (SHGs) and cooperatives. Besides credit delivery, these collectives are expected to help the farmers in improving their farming practices through better accessing of appropriate technology, extension services, improved processing and marketing capabilities and risk management.

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Credit arrangements will have to be complemented with arrangements for insurance against natural calamities, for social security and for health insurance. Farm households should be enabled to diversify their livelihood activities through the development of non-farm activities. This requires adequate infrastructure and setting up of appropriate institutions for skill formation, training and education. Producer cooperatives, federations of farmers' SHGs and other forms of collectives, would enable the farmers, including the small and marginal farmers to participate in value addition activities like marketing and processing.

Currently, the government has several developmental and anti-poverty programmes for the rural poor. To ensure that these programmes benefit poor farmers, farmers' organisations should have a role in their design, implementation and monitoring. This will also serve as a platform for asserting their rights and for their economic empowerment. The state should play a pro-active role in promoting such organisations.

The central and state governments have programmes of rescheduling loans to farmers affected by natural calamities like floods and cyclones with a view to reviving the livelihood base of the affected families. The Expert Group recommends that

a. The loans of all the affected families should be rescheduled.

b. The families whose loans are rescheduled should be eligible for fresh loans, and

c. The interest liability of the borrowers for the extended period of upto two years (both for short and long term loans) should be waived and the financial burden equally shared between the central and state governments.

Rain-fed areas in many parts of India are prone to frequent crop failures and need special treatment. The Expert Group recommends that in the event of crop failure for one year, the loans should be rescheduled and fresh loans be made available. Should the crop fail for the second consecutive year, as per the assessment of revenue authorities, in addition to rescheduling of the crop loan, interest for the extended one year period should be waived and

the financial burden equally shared between the central and state governments.

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The existing system of crop loan tends to constrict credit flow in rain-fed areas when rains fail. The Expert Group recommends that such liquidity constraints should be mitigated through cyclical credit by a system of treating crop loan as a weather cycle long intervention rather than as an annual feature. It could be initiated on a pilot basis in a few rain-fed districts.

The Expert Group underlines the need for mitigating the burden of farmers' indebtedness to moneylenders. It recommends a one-time measure of providing long-term loans by banks to farmers to enable them to repay their debts to the moneylenders. Further, it recommends that Panchayat Raj Institutions (PRIs), civil society organisations like farmers' collectives and Non-Governmental Organisations (NGOs) should be involved in arriving at negotiated settlements with the moneylenders. This would also help in achieving the objective of financial inclusion. The modalities of the scheme may be worked out by the National Bank for Agriculture and Rural Development (NABARD) for early implementation. The cost of making this scheme operational in the distressed districts should be met by creating a 'Moneylenders Debt Redemption Fund' with contribution from central and state governments. Initially, Rs. 100 crore should be earmarked for this purpose.

The Expert Group recommends that the main focus of the programme of 'financial inclusion' should be on the basis of credit needs of all small borrower households. Institutional credit should be extended to those excluded farmer households who do not have access to any source of credit. This coverage should be placed on a mission mode for the farm community as a part of the strategy of financial inclusion and as a part of the goal of mitigating distress amongst the farming community. This should involve the mobilisation of all institutions-scheduled commercial banks, Regional Rural Banks (RRBs) and cooperatives, and through them, agencies like business facilitators and business correspondents.

Despite instructions to banks to assess collateral on the basis of the value of land and assets created out of bank loans, there are instances where these are not complied with resulting in denial of adequate credit. The Expert Group recommends that the Reserve Bank of India (RBI) and NABARD ensure that banks comply with these instructions.

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In order to ensure an effective, inclusive and sustainable rural financial system, it is essential to put in place architecture with appropriate institutions and instruments of credit. The apex financial institutions like RBI and NABARD have to play a positive role. Further, the scheduled commercial banks, RRBs, the cooperatives and other credit institutions have to revitalise their rural operations.

There is a need to extend the spread of rural branch networks by scheduled commercial banks, RRBs and cooperatives. The system of agency banking involving business facilitators and business correspondents should be effectively implemented to widen the outreach of the financial services. Apart from various agencies and institutions covered under these categories, farmers' organisations should also be considered as agents as per established norms.

Urgent steps should be taken to set up mobile branches of banks in rural areas to ensure that the farmers are served at the doorstep, simultaneously reducing transaction costs on either side.

The Expert Group recommends the conversion of the Kisan Credit Card (KCC) into a full featured Bharat Kisan Card (BKC) – an electronic document to be issued to each farmer incorporating the details of land, buildings, other assets and those of the credit facilities enjoyed. This has to be put on a mission mode. The credit limit should cover consumption requirement also. In rain-fed areas, the features of cyclical credit should also be built into the card. NABARD should implement and oversee the programme with appropriate monitoring and evaluation machinery.

The Lead Bank Scheme (LBS) was designed to bring about close coordination between district planning authorities and banking institutions. In the context of emergence of new institutions such as federations of farmers' SHGs and the growing need for credit counselling by farmers, the Expert Group recommends that RBI should revitalise LBS.

Farmers need an appropriate system of credit counselling, particularly for diversification of their economic activities. Banking institutions, farmers' SHG federations, agri clinics and other similar institutions should be enabled to perform this function. NABARD should be actively involved in providing training to these groups and it is desirable that NABARD helps them in setting up at least one counselling centre in each block with appropriate guidelines.

A declaration supported by revenue land records should be made sufficient to create a mortgage of land against which the banks can provide loans. The Expert Group recommends that appropriate legislation should be enacted to facilitate creation of mortgages without procedural complexities.

A number of studies have drawn attention to the forbidding transaction costs faced especially by small and marginal farmers in accessing credit from scheduled commercial banks and RRBs. These costs are in the form of procedural delays, more paper work, repeated trips to the banks and even bribes. While farmers' collectives like SHGs and operationalisation of the recommended BKCs are bound to reduce these transaction costs, the Expert Group recommends that as a part of the regulatory mechanism banks should be directed to comply with simplifying procedures and provide help to small and marginal farmers in timely accessing of credit.

Farmers face many problems in sourcing land records in connection with securing credit. The Expert Group is aware of the process of computerisation of land records by various state governments but is concerned about its slow pace. The Expert Group recommends early updating and computerisation of land records. This would facilitate noting the charge on the land, and improve availability of credit.

The Expert Group recommends that crop loans should be extended to tenant farmers on the basis of tenancy records. To achieve this, it is necessary to legalise tenancy with due protection to small and marginal farmers and put tenancy in the Record of Rights (ROR). The freeing of lease markets should be preceded by registration of land records with due protection to tenant farmers.

The Expert Group feels that Micro Finance Institutions (MFIs) should be an integral part of mainstream banking. Banks should provide resource support to MFIs subject to the condition that these institutions moderate interest rates and abide by ethical banking practices.

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Modern agriculture requires a sophisticated system of credit delivery with appropriate methods of project preparation and evaluation. The Expert Group recommends that the banks should continue to make special efforts to induct qualified graduates in agriculture and allied sciences in their staff for undertaking these activities.

NABARD being the apex institution responsible for rural credit delivery, the Expert Group recommends that efforts should be made to enhance further its developmental role helping the farmers to improve their credit-absorption capacity. NABARD should provide effective guidance and training to the banks in the formulation of projects related to agriculture and the rural nonfarm sector. In order to fulfil these obligations, the resource base and research capabilities of NABARD should be strengthened.

To ensure effective implementation of various guidelines to banks on rural credit in general and credit to farmers in particular, NABARD in consultation with RBI should put in place a systematic monitoring arrangement.

At present, there are deficiencies and discrepancies in data on bank credit to agriculture. The Expert Group recommends that the RBI and NABARD should provide and widely disseminate reliable and consistent data series on agricultural credit.

The Expert Group is of the view that the 18 per cent prescription of priority sector lending to agriculture by banks is a long-standing commitment, as a matter of public policy. However, this target is not being met by the banking system and there is a huge gap. The Expert Group recommends that the Government should ensure that banks fulfil this commitment.

At present, the Rural Infrastructure Development Fund (RIDF) constitutes only a part of the total shortfall of the bank lending to agriculture from the target of 18 per cent. The Expert Group recommends that the entire shortfall should be earmarked for agricultural development. Further, all RIDF funds are not being utilised to their full potential and there is inadequate flow to the less developed states. The Expert Group recommends that the unutilised portion of banks' obligation towards priority sector lending to agriculture should be fully transferred directly to NABARD or to the central government by issuing non-transferable Rural Development Bonds (RDBs) for financing agricultural development programmes. Top priority should be given to the

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less developed states. The Expert Group recommends the implementation of the programmes in 100 agriculturally less developed and distressed districts identified for special agricultural development programmes.

Recent experience of federations of SHGs in Andhra Pradesh shows that these can enable the poor to improve their livelihood and to participate in mainstream activities with enhanced bargaining power. The Expert Group recommends that based on this model, the state governments should make efforts to facilitate the formation of Federations of farmers' SHGs in all distressed districts of the country, provide technical support and training for capacity building, and establishing market linkages. The Expert Group also recommends a Farmers Livelihood Improvement Mission (FLIM) at the state and district levels headed by the Chief Minister and the District Collector respectively. The mission should be supported by a Livelihood Support Centre (LSC) having professional expertise and manpower to organise the farmers, identify economic opportunities for the farmers, particularly for small and marginal farmers and create projects and systems in coordination with different stakeholders. The central and state governments, the commercial banks, and other public institutions should play a pro-active role in promoting them.

The Expert Group recommends a two-tier approach to the management of agricultural risks: crop and weather insurance at the taluka/district level; and distress relief at the state level.

Currently, a crop insurance scheme is being implemented at the district level under the National Agricultural Insurance Scheme (NAIS). It is expanding at a rapid rate. The main reason for its growth is that crop loans are granted contingent upon farmers' participation in the insurance scheme. There are genuine problems in its operation. **First,** there is non-availability of reliable yield data below the state/district level. **Second,** since the claim amounts are high, the scheme is highly subsidised by both the central and state governments. **Third,** most of the claims are going to a few crops in a few states. **Fourth**, there is an inherent problem of moral hazard because of the possibility of collusion between implementing agencies and farmers. Given the importance of the crop insurance scheme for covering yield risks, the Expert Group

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recommends that a high level committee should thoroughly evaluate the scheme with a view to making it more effective.

Weather insurance schemes which are currently in operation suffer from even greater infirmities. The Expert Group is concerned about the rapid expansion of schemes without establishing the relationship between rainfall and yields on a scientific basis. The Expert Group feels that the high level committee recommended above (paragraph 37) should also make a comparative evaluation of crop insurance, rainfall insurance and insurance based on moisture stress indices derived from satellite imagery data.

To mitigate the impact of price collapse in cases of commodities not covered under Minimum Support Prices (MSPs), the Expert Group recommends that financial support may be provided to farmers out of a 'Price Risk Mitigation Fund'.

In wake of trade liberalisation, several agricultural commodities are facing stiff competition from imports. Import policy, including variable tariffs and other measures compatible with World Trade Organisation (WTO), should be used to mitigate the adverse impact of such imports. Simultaneously, producers should be enabled to increase their productivity and competitiveness through investments in new technology.

The Expert Group recommends that surveillance and advance crop assessment systems should be initiated in distressed districts of rain-fed areas by using satellite imagery. For this, the National Remote Sensing Agency (NRSA) should create a separate unit that will work as a nodal agency. This system needs to be institutionalised.

The NRSA should provide early warning signals to drought mitigating agencies at the central, state and taluka level, and the information should be widely disseminated through their websites and other means to reach the farming community at the right time.

The Expert Group further recommends that NRSA should strengthen its Research and

Development (R&D) to establish links between satellite imagery data relating to soil moisture/ vegetative cover and actual yields based on crop cutting experiments.

The Expert Group recommends establishing an appropriate regulatory framework and rules to ensure quality inputs to the farmers. An adequate number of input testing laboratories need to be opened at the panchayat/block level to facilitate quality checks of inputs such as seeds, pesticides and fertilisers. A clear cut regulatory mechanism should be laid down for indemnifying the farmers for their losses caused by spurious inputs.

A major factor contributing to agrarian distress is the collapse of R&D and extension systems. The Expert Group recommends that major efforts should be made to intensify agricultural research in frontier areas like bio-technology through increased investment. These are as like:

1. The direct agricultural advances in Haryana should be increased in terms of volume by SCBs.
2. The study finds that the indirect agricultural advances of total advances of SCBs in Haryana as well as India are less than five percent throughout study period. It is suggested that the percentage of indirect agricultural advances is increase.
3. The bank management should keep constant contract with the borrowers at a regular interval and motivate them to make timely payment by offering rebate on interest.
4. The SCBs should reduce the delays in sanctioning of loans.
5. The SCBs should alter the schemes for advancing the loans as per the requirements of agriculturists from time to time.
6. The employees of bank should avoid “I don’t Care” or “Don’t bother me” type attitude towards customers. There “How should I help you” attitude will help in improving the present situation.

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ABOUT THE BOOK

Indian economy is based on the agriculture. At the time of independent contribution of agriculture was more than 50 percent and more than 72 percent population of India was depended. But contribution of scheduled banks in agriculture finance was hardly 3 percent. It was not sufficient. Private money lenader were played a dominant role in agriculture finance. But they were charging the very high rate of interest (24-60 percent). At present also secluded banks are not able to meet the agriculture total credit demand. Policy makers in India have long recognised the need to provide short- and long-term institutional credit to agriculture at reasonable rates of interest for meeting farmers' production needs. This recognition came primarily as the moneylenders and other non-institutional sources charged exorbitant rates of interest to farmers who often had to mortgage, and sometimes, sell their lands to clear their debts. After independence, credit institutions serving the agricultural sector were developed in several phases. In the first phase from 1947 to 1969, cooperative agencies were the primary vehicle that provided credit. During the second phase from 1969-75, a major development in the area of rural credit was the nationalisation of banks in 1969. The commercial banks were also assigned an important role in providing agricultural credit to supplement credit by cooperatives. The third phase, 1975-1990, saw the establishment of Regional Rural Banks (RRBs) in 1975 to provide credit to small and marginal farmers and weaker sections of society. During this phase, introduction of the concept of priority sectors in 1985, whereby the banks were enjoined to lend 18 per cent of their total credit to agriculture, was an important step for extending credit to agriculture. In the fourth phase, beginning with the financial sector reforms of the 1990s, emphasis shifted in favour of prudential regulations, and the focus on social banking got diluted. As a result, the share of agriculture in total bank credit of the scheduled commercial banks fell below the 18 per cent target. In recent years, in response to the agrarian crisis, there have been a number of initiatives to expand credit to agriculture such as the doubling of credit within three years, the issue of Kisan Credit Cards (KCCs), the introduction of institutional agencies such as agency banking and extension of the model of Self-Help Groups (SHGs) to farmers, the revitalisation of the cooperative credit structure and the Government's acceptance of the principle of inclusive banking. This book focuses on the role of scheduled commercial banks in the development of agriculture sector.

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