



## GROWTH IN INSTITUTIONAL AGRICULTURAL CREDIT IN THE PUNJAB STATE OF INDIA

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### **Abstract**

The present study revealed that the scheduled commercial banks were actively participating to uplift the socio-economic development in the state. A significant increase was also observed in the number of branches for the commercial banks, cooperative banks, Primary Agricultural Development Banks (PADB), Regional Rural Banks (RRBs) during the last few years. Also increasing trend in flow of total deposits and advances in the Punjab state for the last twenty two years was found at significant compound growth rate of 14.1 percent and 17.4 per cent per annum, respectively. The growth was also significant in the total agricultural credit advances at compound growth rate of 20.03 per cent per annum. Similar increase was found in the total micro credit advances at compound growth rate of 29.95 per cent per annum, in the total advances to weaker sections at compound growth rate of 29.70 per cent per annum and in the debt waiver scheme in the state. The KCC advances increased at compound growth rate of 22.40 per cent per annum.

**Keywords:** Scheduled Commercial Banks, Institutional Agricultural Credit, Agricultural Finance

### **Introduction**

Finance matters for both economic growth and development. There is substantial evidence that financial development, which refers to effective financial intermediation and markets that provide deep and broad access to formal financial services to economic agents promotes growth (Roubini and Bilodeau 2008). It is also well documented that financial development plays crucial role in moving households out of poverty – indirectly by stimulating growth and directly by providing savings and credit services to the poor. The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. The flow of institutional credit has increased steadily in rural areas of Punjab since the

inception of green revolution. In the post green revolution period too, the institutional credit flow has increased constantly. The institutional credit increased from Rs.1638 crores in 1991 to Rs. 36225 crores in 2012. The sharp increase in the flow of credit has created an impression that, in Punjab institutional credit has almost reached to all sections of the farmers.

## 1. Materials and methods

Keeping in view the objectives of the study, secondary data were obtained from the reputed published and unpublished sources. The information about the number of banks operated, growth in advances and deposits of SCBs, co-operative societies, etc, were taken from various issues of Statistical Abstracts of Punjab, CMIE (Centre for Monitoring Indian Economy), Economic Survey, etc. The collected data was analyzed by using weighted arithmetic mean and compound annual rate.

## 2. Flow of institutional credit in Punjab

Various aspects of flow of institutional financial services in Punjab have been discussed under this section.

### 2.1 Total deposits and total advances of commercial, cooperative, PADB and RRB in Punjab

Table 2.1 shows the trend in flow of total deposits and advances in the Punjab for the last 22 years. Both the variables showed a significant growth during the given period of time. The deposits have significantly increased from about Rs 9530.33crore in the year 1990 to more than 14 times, i.e. Rs 173659.00 crore in 2012 with a significant annual compound growth rate of 14.1 per cent per annum. Similarly, the advances by these bank branches have also significantly increased from about Rs 4163.94 crore in 1990 to about Rs 142059.00 crore in 2012 with an annual compound growth rate of 17.4 per cent per annum (Table 2.1).

Thus, it was evident that the growth in total advances and deposits credit institutions during the last 22 years in the state were commendable. The overall deposits were consistently more than the total advances.

**Table 2.1** Total deposits and total advances of commercial, cooperative, PADB and RRB in Punjab from 1990 to 2012

(Rs in crore)

Year (As on March 31 <sup>st</sup> )	Deposits	Advances
1990	9530.33	4163.94
1991	10710.08	4486.04
1992	11274.65	4660.64
1993	13189.51	5331.18
1994	14859.51	6244.76
1995	17620.61	7300.85
1996	20688.60	8406.82
1997	23786.81	8793.52
1998	28581.22	10674.27
1999	33326.37	12363.66

2000	39294.78	15141.98
2001	45889.23	17949.96
2002	51651.09	20534.46
2003	57522.17	22791.04
2004	61030.00	25992.00
2005	65474.00	31949.00
2006	75022.00	41837.00
2007	86463.00	52978.00
2008	104647.00	67159.00
2009	121312.00	78334.00
2010	133571.00	94980.00
2011	154558.00	120705.00
2012	173659.00	142059.00
CAGR(%)	14.10	17.40

Source: Annual Credit Plan, Punjab National Bank, Lead Bank, Punjab.

## 2.2 Total agricultural credit of commercial, cooperative, PADB and RRB in Punjab

Agricultural credit clearly started to grow after bank nationalisation and it has been growing continuously since then. With all the concerns and skepticism expressed, the difficult and continuous changes in institutional credit have indeed borne fruit. Over the years there has been a significant increase in the access of rural cultivators to institutional credit and, simultaneously, the role of informal agencies, including money lenders, as source of credit has declined. Table 4.2 shows the trend in flow of total agricultural credit in Punjab for the last 10 years. The credit has significantly increased from about Rs 4862 crore in the year 2002 to Rs 36225 crore in 2012 with a significant annual compound growth rate of 20.03 per cent per annum (Table 2.2).

**Table 2.2** Total agricultural credit of commercial, cooperative, PADB and RRB in Punjab from 2002 to 2012  
(Rs in crore)

Year	Agricultural credit	% of total advances
2002	4862.00	23.67
2003	6182.00	27.12
2004	7087.00	27.26
2005	11729.41	36.71
2006	14690.61	35.11
2007	17614.68	33.25
2008	22239.38	33.11
2009	25249.54	32.23
2010	30808.64	32.44
2011	31996.00	26.51
2012	36225.00	25.49
CGR(%)	20.03	

Source: Annual Credit Plan, Punjab National Bank, Lead Bank, Punjab.

### 2.3 Total advances to microcredit sector by commercial, cooperative, PADB and RRB in Punjab

Microcredit is the extension of very small loans to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans. [http://en.wikipedia.org/wiki/Microcredit-cite\\_note-1](http://en.wikipedia.org/wiki/Microcredit-cite_note-1) Grameen Bank reports that repayment success rates are between 95 and 98 per cent. Microcredit is part of <http://en.wikipedia.org/wiki/Microfinance> microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. Modern microcredit is generally considered to have originated from the Grameen Bank founded in Bangladesh in 1983 [http://en.wikipedia.org/wiki/Microcredit - cite\\_note-Bateman\\_2010-3](http://en.wikipedia.org/wiki/Microcredit-cite_note-Bateman_2010-3). Many traditional banks subsequently introduced microcredit despite initial misgivings. The United Nations declared 2005, the International Year of Microcredit. Since 2012, microcredit is widely used in developing countries and is presented as having "enormous potential as a tool for poverty alleviation." Table 4.3 shows the trend in micro credit for the last 6 years. The micro credit has increased from Rs. 7765 crore in 2007 to 28777 crores in 2012 with compound annual growth rate of 29.95 percent (Table 2.3).

**Table 2.3** Total micro credit of commercial, cooperative, PADB and RRB in Punjab from 2007 to 2012

(Rs in crore)

Year	Advances to micro credit	% of total advances
2007	7765	14.66
2008	10249	15.26
2009	13000	16.59
2010	17510	18.43
2011	22001	18.23
2012	28777	20.25
CAGR(%)	29.95	

Source: Annual Credit Plan, Punjab National Bank, Lead Bank, Punjab

### 2.4 Total advances to weaker sections by commercial, cooperative, PADB and RRB in Punjab

Weaker section refers to those sections of the economy which may not get timely and adequate credit in the absence of their special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises and other low income groups and weaker sections. Table 4.4 shows the trend in credit advances to weaker sections for the last 6 years. The credit has increased from Rs. 5287 crore in 2007 to 19402 crores in 2012 with compound annual growth rate of 29.7 percent (Table 2.4).

**Table 2.4** Total advances to weaker sections by commercial, cooperative, PADB and RRB in Punjab from 2007 to 2012

(Rs in crore)

Year	Advances to weaker sections	% of total advances
2007	5287	9.97
2008	7483	11.14
2009	8910	11.37
2010	10765	11.33
2011	14259	11.81
2012	19402	13.65
CAGR(%)	29.7	

Source: Annual Credit Plan, Punjab National Bank, Lead Bank, Punjab

### 2.5 Benefit of agriculture debt waiver scheme, 2008 in Punjab

Agriculture debt waiver scheme was introduced in 2008 by Govt. of India. Under this scheme, in case of small or marginal farmer entire amount will be waived and in case of other farmers there will be a case of one time settlement under which rebate will be of 25%. Under this scheme, substantial amount has been released by the banks. Table 2.5 shows the amount released by banks under agriculture debt waiver scheme, 2008.

**Table 2.5** Amount released by banks under agriculture debt waiver scheme, 2008

(Rs.)

Year	No.of accounts	Amount released (in crore)	Amount released per account
2008-09	355122	1041.1	29316.68
2009-10	353428	1041.1	29457.20
2010-11	352514	936.84	26578.96

Source: Annual Credit Plan, Punjab National Bank, Lead Bank, Punjab

### 2.6 Financial Inclusion-allocation of villages by SLBC among banks for 100% financial inclusion

Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. Villages are allocated by State Level Banker's Committee (SLBC) in the state which is headed by lead bank of the state. Punjab National Bank is the Lead bank of the state which

heads the SLBC in Punjab. Table 2.6 shows village allocation under State Level Banker's Committee (SLBC) to banks for financial inclusion in Punjab. There are 12592 villages in Punjab out of which 4416 villages are allocated in the first phase in 2010.

**Table 2.6** Allocation of villages under SLBC, 2010

Particulars	Nos.
Total villages in the State	12592
Villages with bank branches	1565
Villages with population > 2000	2256
Villages with bank branches	922
Villages with population < 2000	9828
Villages with bank branches	550
Villages allocated	4416

Source: Punjab National Bank, Lead Bank, Punjab

## 2.7 Financial Inclusion progress in Punjab by banks

The villages in India are witnessing a flurry of activity, thanks to the financial inclusion initiatives of banks. Most of the banks are now busy appointing business correspondents (BC) or opening up ultra small branches in villages under the financial inclusion plan. Table 2.7 shows the progress made by banks in financial inclusion. In this development public sector banks are ahead of others. Among them Punjab National Bank leads the way by opening 96117 accounts upto march 2012 followed by Oriental bank of Commerce with 95037 accounts.

**Table 2.7** Progress in financial inclusion in Punjab upto march 2012

S.No	Name of Bank(s)	Total no of villages allotted to the Bank(s)	Achievement upto march 2012				Total no of villages covered upto 31.03.2012	Total no of financial inclusion accounts opened under FIP till march 2012
			Through brick & mortar branches opened	Through ultra small branches opened	Through BCA appointed	Through mobile van		
<b>A</b>	<b>Public Sector Banks (names)</b>							
1	Punjab National Bank	360	7	93	260	0	360	96117
2	Oriental Bank of commerce	114	6	0	93	15	114	95037

3	State Bank of India	180	3	0	177	0	180	92268
4	State Bank of Patiala	309	17	0	292	0	309	87453
5	Punjab & Sind Bank	228	20	0	208	0	228	49801
6	Indian overseas Bank	18	0	0	18	0	18	33289
7	UCO Bank	39	0	0	30	9	39	21477
8	Canara Bank	34	3	0	31	0	34	17839
9	Bank of India	40	0	0	18	0	40	10284
10	Union Bank of India	29	0	0	29	0	29	9545
11	Bank of Baroda	19	4	10	5	0	19	5189
12	Allahabad Bank	13	2	0	11	0	13	2942
13	Indian Bank	8	1	0	7	0	8	2516
14	Central Bank of India	43	4	0	39	0	43	2112
15	Syndicate Bank	3	1	1	1	0	3	954
16	Corporation Bank	2	0	0	2	0	2	855
17	Vijaya Bank	2	0	0	2	0	2	78
	Sub- total PSBs	1441	68	104	1223	24	1441	527756
<b>B</b>	<b>RRBs (names)</b>							
18	Punjab Gramin Bank	93	2	0	91	0	93	25653
19	Satluj Gramin Bank	24	1	0	23	0	24	5664
	<b>Sub-total RRBs</b>	<b>117</b>	<b>3</b>	<b>0</b>	<b>114</b>	<b>0</b>	<b>117</b>	<b>31317</b>
<b>C</b>	<b>Private banks (names)</b>							
20	ICICI Bank	4	0	0	4	0	4	930
21	HDFC Bank	8	0	0	8	0	8	725
22	Axis Bank	4	0	0	4	0	4	690

23	Capital Local Area Bank	1	0	0	1	0	1	315
24	Jammu & Kashmir Bank	1	0	0	1	0	1	215
	Sub-total Private banks	18	0	0	18	0	18	2875
	<b>Grand total PSBs+RR Bs+Pvt. Banks+ Coop.Ban ks</b>	<b>1576</b>	<b>71</b>	<b>104</b>	<b>1355</b>	<b>24</b>	<b>1576</b>	<b>561948</b>

Source: Punjab National Bank, Lead Bank, Punjab

### 2.8 Growth in Kisan Credit Card (KCC) disbursement in Punjab:

The Kisan Credit Card is a pioneering credit delivery innovation for providing adequate and timely credit to farmers under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term, medium term and long term credit needs of the borrowers for agriculture and allied activities and a reasonable component for consumption needs. Table 2.8 shows the flow of KCC disbursements in Punjab. There has been an increase in KCC disbursements over the period of time. It has increased from Rs.8324.91 crores in 2005 to 27988.96 crores in 2011 with significant compound annual growth rate of 22.40 percent.

**Table 2.8** Growth in KCC disbursement in Punjab from 2005 to 2011

(Rs in crore)

Year	KCC disbursements
2005	8324.91
2006	10375.52
2007	12573.06
2008	15880.02
2009	17084.54
2010	21406.20
2011	27988.96
CGR(%)	22.40

Source: Punjab National Bank, Lead Bank, Punjab

## Conclusion

The study has adequately discussed the close relation between financial development and economic growth and that financial development implies financial inclusion. It has been observed that even 'well-developed' financial systems have not succeeded to be all-inclusive and certain segments of the population remain outside the formal financial systems. An inclusive financial system can help reducing the growth of informal sources of credit (such as



moneylenders) which are often found to be exploitative. Thus, an all inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services.

## References

Roubini, N. and Bilodeau, J. (2008) The Financial Development Index: Assessing the World's Financial Systems. *The Financial Development Report 2008*, World Economic Forum, Geneva, Switzerland

## WZROST INSTYTUCJONALNYCH KREDYTÓW ROLNICZYCH W INDYJSKIM STANIE PUNJAB

### Streszczenie

Przeprowadzone badania wykazały, że banki komercyjne (SCB) aktywnie uczestniczyły w podniesieniu rozwoju społeczno-gospodarczego stanu. W ciągu ostatnich kilku lat odnotowano również znaczący wzrost w wielu oddziałach banków komercyjnych, banków spółdzielczych, banków rozwoju podstawowego rolnictwa (PADB), regionalnych banków wiejskich (RRBs). Wzrastający również trend przepływów całkowitych depozytów i pożyczek w stanie Pendżab w ciągu ostatnich dwudziestu dwóch lat znalazł swoje odzwierciedlenie w znaczącej dynamice skumulowanego wskaźnika wzrostu 14,1 procent i rocznego 17,4 procent. Istotny był także wzrost w ogólnej kwocie rolnych zaliczek kredytowych na poziomie 20,03 procent rocznie. Podobny wzrost stwierdzono w całkowitej kwocie mikro zaliczek kredytowych, które charakteryzowały się skumulowanym rocznym tempem wzrostu 29,95 procent, w łącznej kwocie zaliczek dla słabszych sektorów z skumulowanym rocznym tempem wzrostu 29,70 procent oraz programie umorzenia długu. Skumulowany roczny wskaźnik wzrostu zaliczek KCC wyniósł 22,40 procent.

**Keywords:** banki komercyjne, instytucjonalne kredyty rolnicze, finanse rolnictwa

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