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Growth of Agricultural Credit, Branch Network and Outreach of Scheduled Commercial Banks in Punjab

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Abstract: Credit is an important lubricant in any economic activity. In Punjab importance of credit was realised after ushering in of green revolution and many institutional sources like commercial banks and cooperative banks were directed with the dual goals to provide timely and adequate agricultural credit and to save the farmer borrowers from the clutches of money lenders. Therefore, credit provision by scheduled commercial banks has made a remarkable progress in this regard during the past few decades in the state. In Punjab, the growth route of agricultural credit which has increased from Rs 332.88 crore in the year 1981 to Rs 36375.08 crore in 2013 registering a compound growth rate of 14.70 per cent per annum. The number of branches of scheduled commercial banks has increased from 679 in TE 1973 to 4798 during TE 2013.

Key words: Scheduled commercial banks, institutional sources, credit

Agriculture plays a leading role in the Indian economy. The importance of agriculture can be gauged through its contribution to national income, foreign exchange, industry and employment. Indian agriculture being rich in natural resources, its development to its fullest potential is therefore, the key player of Indian economy as the prosperity of India is exclusively dependent on agriculture. If agriculture blooms, the country prospers. In the wake of commercialization and globalization, expanded and improved infrastructure is required. The National Agricultural Policy not only envisages faster agricultural growth at 4 per cent a year, but also its equitable spread across regions and classes of farmers. At the same time, some important provisions of the World Trade Organization (WTO) agreements have the potential of increasing India's share in world trade of agricultural commodities. All these translate into higher credit demand and acceleration in its growth, as well as cost-effective mechanisms for its delivery. Rural finance, therefore, is a matter of credit concern in a developing economy like India where 70 percent of the population depends upon agriculture (Godara *et al.* 2014). To meet the requirements of the growing

population and rapidly developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs like adoption of high yielding varieties requires large quantities of fertilizers, plant-protection chemicals, modernized equipments, and machineries. The rural agricultural sector of the economy is labor-abundant, land-poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate and timely supply of credit to the farmers. Also agricultural growth is crucial for alleviating rural poverty. Access to institutional credit to farmers along with its quantity and quality of agricultural credit are crucial for realizing the full potential of agriculture as a profitable activity

In India, for a long time, there was no institutional agency for providing agricultural credit. Farming in India, being small scale and subsistence, the cultivators were borrowing only from non-institutional agencies such as moneylenders, indigenous bankers, friends and relatives. Institutional credit in India made a beginning in the year 1904 when the Co-operative Credit Societies were started to provide agricultural credit. Then the nationalization of twenty major commercial banks gave a further boom to the agricultural credit. So, Indian Banking Sector being the backbone of the Indian economy over the past few decades is helping it survive various national and worldwide economic shocks and meltdowns. It is one of the healthiest performers in the world banking industry seeing tremendous competitiveness, growth, efficiency, profitability and soundness, especially in the recent years (Kiran and Reena, 2015). These institutions play a dominant role in mobilizing saving and then channelizing those saving for investment into productive activity. In this paper an attempt has been made to see the location specific growth in the number of branches on one hand and the agricultural credit on the other hand in Punjab.

METHODOLOGY

The locale of the study was the state of Punjab. The expressions of the study are based on the secondary data collected from various issues of Statistics Abstract of Punjab, Hand Book of Statistics on Indian Economy and various websites like Indiastat. For the analysis statistica; l tools like averages, percentages, standard deviation, coefficient of variation and compound growth rates were calculated and their significance was tested by using 't' statistic.

RESULTS AND DISCUSSION

The detailed information pertaining to the number of branches and credit flow to agriculture by Scheduled Commercial Banks (SCBs) in Punjab has been presented as under.

I. Growth of branch network

Growth of banking sector can also be seen through the increase in the number of branches of SCBs. The number of SCBs has increased about 7 times from 679 in TE 1973 to 4798 during TE 2013 in Punjab occupying more than half the percentage from all types of banks (Table 1). On the other hand, the number of all types of banks has grown from 2131 during TE 1973 to 9460 during TE 2013 i.e. only 4 times. It can also be witnessed that the SCBs have increased with the compound growth rate (CGR) of 3.67 per cent per annum which is higher than all types of banks in totality.

Table 1
Growth of scheduled commercial banks vis a vis all types of banks in Punjab, TE 1973-TE 2013

Type of Bank	TE 1973	TE 1983	TE 1993	TE 2003	TE 2013	CGR % per annum 1971-2013
Scheduled commercial banks (SCBs)	679	1790	2168	2652	4798	3.6694** (17.254)
Per cent of SCBs to all types of banks	31.86	32.14	32.21	35.54	50.72	
All types of Banks	2131	5569	6730	7461	9460	3.0927** (17.955)

** Significant at 5 per cent probability level

Figures in parentheses indicate t -values

Source: Statistical Abstracts of Punjab, various issues

II. Rural presence of SCBs in Punjab

Since two third of the country's population lives in villages, looking for the strategies to effectively meet the credit needs of the rural masses should be accorded top priority. The number of offices of SCBs in Punjab went up, from 816 in TE 1973 to 4790 by TE 2013 (Table 2). The proportion of rural offices to that of total offices of SCBs in the state was 50 per cent (offices being 406) during TE 1973. The number of rural offices of SCBs in Punjab increased to about 54 per cent (931) in TE 1983 and then it came down to about 35.6 per cent by TE 2013, although the number of offices increased to 1706.

At national level, the total number of offices of SCBs was only 12415 in TE 1973 and those were, more or less equally distributed in rural, semi urban and urban locations. But over the decades, the proportion of rural offices of SCBs in India increased to 52 per cent in TE 1983 and still higher to 58 per cent, the total number of offices being 60653, by TE 1993. At the country level, the proportion of rural offices to total offices of the SCBs stood at 37 per cent (36732) by TE 2013, the total offices being 98519.

This increase in the number of rural branches, both in Punjab and country at large, can be attributed to two spells of nationalisation of 14 and 6 private sector banks in 1969 and 1981, respectively by the then Prime Minister Smt. Indira Gandhi with the objective of expansion of banking facilities to meet the credit needs of rural masses by setting up of rural branches.

However, by TE 2013, there were 37.3 per cent (36732) rural offices, 26.2 per cent (25804) semi-urban offices and 36.5 per cent (35983) urban offices in India. In case of Punjab, there were 35.6 per cent (1706) rural offices, 31.3 per cent (1501) semi-urban offices and 33.0 per cent (1582) urban offices. The decline in both the proportion and absolute figures pertaining to rural branches can be attributed to increasing urbanisation during the period.

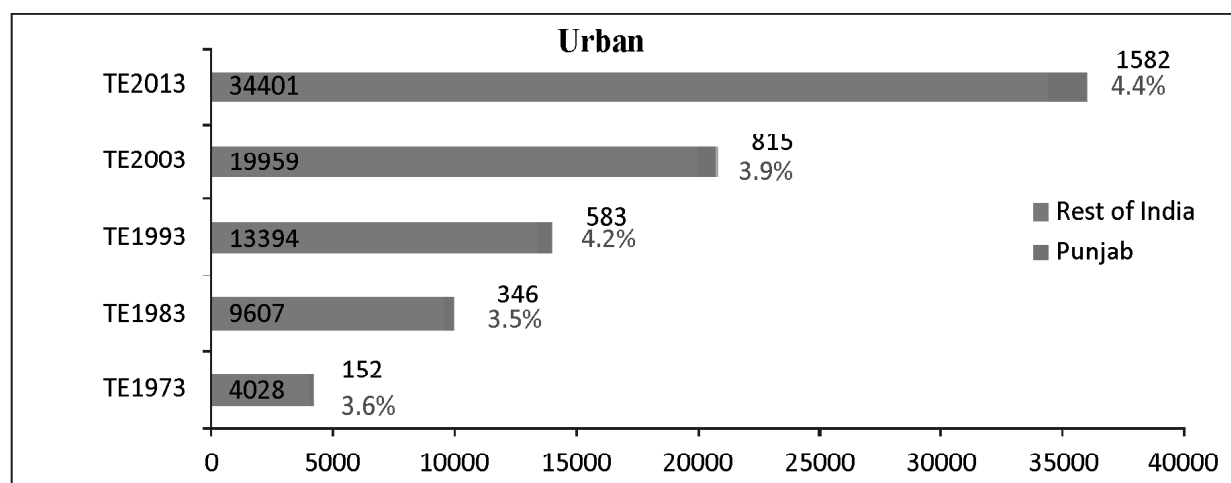
The number of branches of SCBs has been ever escalating in Punjab as well as country at large, but for every 1000 urban branches, the number of semi-urban branches had witnessed a continuous decline from 1697 in TE1973 to 949 in TE2013 in Punjab. Similarly, it dwindled down from 996 to 717 in India, during the same period. It is pertinent to note that the number of semi-urban branches for every 1000 urban branches had always been greater in Punjab in contrast to country at large.

Table 2
Location-wise presence of SCBs in Punjab vis-à-vis India, 1971-2013

<i>Punjab</i>										
<i>Year</i>	<i>TE1973</i>		<i>TE1983</i>		<i>TE1993</i>		<i>TE2003</i>		<i>TE2013</i>	
<i>Location</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Urban (U)	152	18.6	346	20.0	583	25.9	815	30.8	1582	33.0
Semi-urban (SU)	258	31.6	455	26.3	519	23.1	711	26.8	1501	31.3
Rural (R)	406	49.8	931	53.7	1145	51.0	1124	42.4	1706	35.6
Total Offices (U+SU+R)	816		1732		2247		2650		4 7 9 0	
Ratio (U:SU:R)	1000:1697:2671		1000:1315:2691		1000:890:1964		1000:872:1379		1000:949:1078	
<i>India</i>										
<i>Year</i>	<i>TE1973</i>		<i>TE1983</i>		<i>TE1993</i>		<i>TE2003</i>		<i>TE2013</i>	
<i>Location</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Urban (U)	4180	33.7	9953	25.5	13977	23.0	20774	30.4	35983	36.5
Semi-urban (SU)	4165	33.5	8787	22.5	11388	18.8	14980	22.0	25804	26.2
Rural (R)	4070	32.8	20248	52.0	35288	58.2	32457	47.6	36732	37.3
Total Offices (U+SU+R)	12415		38988		60653		68211		98519	
Ratio (U:SU:R)	1000:996:974		1000:883:2034		1000:815:2525		1000:721:1562		1000:717:1021	

Source: Reserve Bank of India, Master Office File on Commercial Banks, Mumbai, Various Issues
% indicate percentage to total

In Punjab as well as India, the number of rural branches of SCBs was more in number as compared to the urban branches all through the past three decades (Fig. 1). In India, the number of rural branches for every 1000 urban branches of SCBs went up from 974 in TE 1973 to 2034 in TE1983 and still higher to 2525 by TE1993 and dwindled down to 1021 by TE 2013 due to urbanisation. In TE1973, Punjab, agriculturally the most progressive state had a rural network of 2671 branches as compared to 974 in case of India, for every 1000 branches of SCBs operating in the urban locations. However in Punjab, the number of rural branches, for every 1000 urban branches of SCBs went down to 1964 by TE 1993 and further declined to 1078 by the TE 2013.



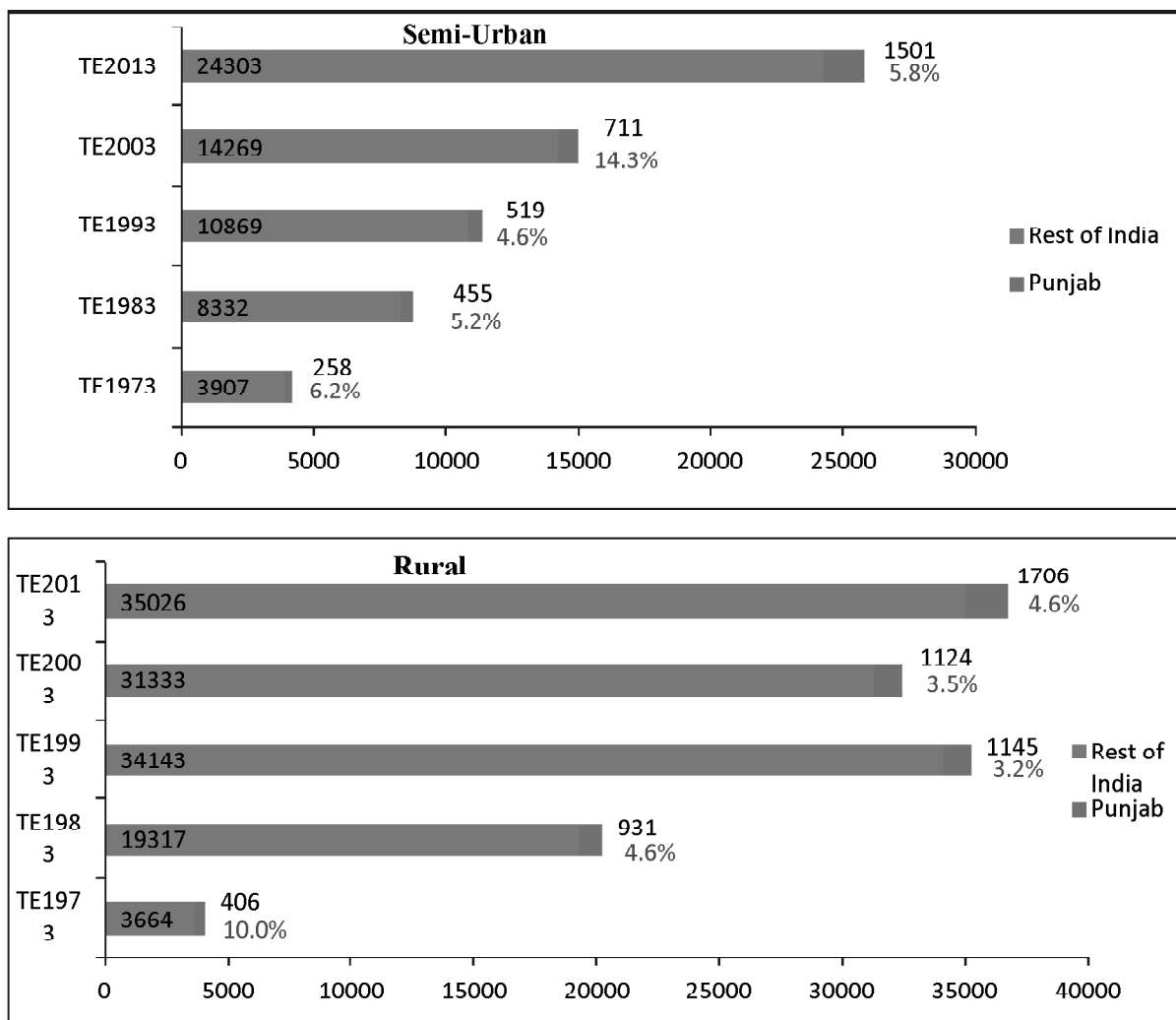


Figure 1: Proportion of SCBs in Punjab, 1971-2013

The perusal of figure 1 reveals that in TE 1973, as many as one tenth (406) of all rural branches in India happened to be in Punjab. However, this proportion gradually declined to 4.6 per cent (931) by TE1983 and remained almost the same during TE 2013 (1706) in Punjab due to growth of rural branch network in rest of India. In TE1973, the semi-urban branches in Punjab accounted for 6.2 per cent of the branches operating in the country as a whole. This percentage dwindled down to 5.8 per cent by TE 2013.

As reported in the various issues of Statistical Abstract of Punjab, the number of bank offices per thousand square kilometers of area in Punjab improved markedly to 118 by the year ending 2014 from 16 in the year ending 1971. While in India, there were only 39 banking offices per thousand square kilometers of area by the year ending 2014 (Statistical Abstract of Punjab, various issues).

In Punjab, the average population served per bank office of the SCBs reduced from 16000 in the year 1974 to 5000 by the year ending 2014, thereby leading to a marked improvement in the quality of service provided. As far as country level banking services are concerned, the average population served per bank office stood at 10000 in 2014, in sharp contrast to the figure of 5000 recorded in case of Punjab (ibid).

Undoubtedly, the progress of SCBs in terms of their network expansion can be considered comparatively satisfactory as of now. India is now considered much preferred financial destination by Foreign Institutional Investors (FII) in the wake of Foreign Direct Investment (FDI) in India's banking sector. With the upcoming of Foreign Banks from the year 2009, there is an imperative need for setting up of more branches in rural areas, both in Punjab and country at large to meet the credit needs of masses. As the banking sector has deliberately opened up for an easy access to the foreign banks to invest in our country, a great threat may be anticipated to our domestic SCBs. The private banks have already restrained most of the locations; the SCBs are already facing a stiff competition. Perceiving the future of banking sector in Punjab and the country at large, the expansion of branch network with requisite infrastructure should be considered inevitable.

III. SHARE OF AGRICULTURE IN TOTAL AMOUNT OUTSTANDING

Agriculture has always been a priority for the institutional sources. The effort of SCBs to strengthen agriculture is reflected well in Table 3 wherein the share of agriculture in total amount outstanding has increased from Rs 332.88 crore in 1981 to Rs 36375.08 crore in the year 2013 registering a CGR of 14.70 per cent per annum. An increase can also be seen when the figures were adjusted for the price changes and increased from Rs 1425.61 crore in 1981 to Rs 18442.41 crore in the year 2013. Although the share of agriculture in total amount outstanding has declined over the given period but there has been a consistent increase in the absolute figures which can also be seen through the CGR which was 13.89 in 1981, further increased to 16.82 per cent in 1991 and in the last period it went up to 24.62 per cent per annum.

Table 3
Share of agriculture in Scheduled Commercial Banks total credit in Punjab, 1981 to 2013

Year Ending	Total (Rs crore)		Agriculture (Rs crore)		Share (%) of Agriculture in total bank credit
	At current prices	At constant prices	At current prices	At constant prices	
1981	1102.17	4720.21	332.88	1425.61	30.2
1991	5361.39	11051.51	1356.61	2796.4	25.3
2001	18276.33	21474.99	3437.86	4039.55	18.81
2013	156627.9	79411.42	36375.08	18442.41	23.22
CGR % per annum					
1981-90	19.2877** (7.843)	11.834** (5.107)	13.8867** (4.575)	6.7876** (2.346)	
1991-2000	20.7852** (20.041)	14.1732** (11.409)	16.8196** (12.026)	10.4248** (6.33)	
2001-2013	22.1355** (21.961)	13.4535** (12.209)	24.6216** (12.887)	15.7629** (8.713)	
1981-2013	16.2454** (39.029)	8.6389** (21.704)	14.6998** (24.237)	7.1946** (12.329)	

At 2004-05 prices

** Significant at 5 per cent probability level

Figures in parentheses indicate t-values

Source: Statistical Abstracts of Punjab, various issues

IV. DIRECT AND INDIRECT CREDIT TO AGRICULTURE BY SCBS IN PUNJAB

Loan advanced directly to farmers for their production and development needs by the institutional agencies is categorised as direct credit to agriculture, while the loan advanced to the enterprise activities, which indirectly benefit the farmers, is categorised as indirect credit to agriculture. The growth pattern of agricultural credit delivery system of SCBs which shows that the proportion of direct and indirect credit has been 82:18 in Punjab during the year 2013 (Table 4). The direct credit has increased from Rs 1212.42 crore to Rs 16627.75 crore at constant prices of 2004-05 registering a CGR of 7.06 per cent per annum. It can also be noticed that both the direct and indirect credit have been increasing at the CGR of nearly 7 per cent per annum. The more percentage of direct credit in total amount outstanding may be due to the more number of beneficiaries and it also implies that the functions of SCBs are farmer centric.

Table 4
Growth of direct and indirect credit to agriculture by SCBs in Punjab, 1981 to 2013

Year Ending	Direct Credit to Agriculture			Indirect Credit to agriculture			Proportion, (%)	
	Accounts number ('000)	Current prices (Rs crore)	Constant prices (Rs crore)	Accounts number ('000)	Current prices (Rs crore)	Constant prices (Rs crore)	Direct credit	Indirect credit
1981	306	283.1	1212.42	8	49.8	213.28	85	15
1991	767	1095.2	2257.55	25	118.6	244.47	90	10
2001	712	2519.62	2960.6	16	702	824.86	78	22
2013	1127	32795.91	16627.75	27	7265.08	3683.44	82	18
CGR % per annum								
1981-90	-	13.2667** (4.216)	6.1477** (2.044)	-	7.0744** (1.49)	0.3614** (0.079)		
1991-2000	-	8.9063** (9.741)	2.9323** (2.776)	-	14.6642** (4.214)	8.3251** (2.33)		
2001-2013	-	25.4505** (12.137)	16.5329** (8.246)	-	23.6061** (11.619)	15.2941** (8.44)		
1981-2013	-	14.6379** (19.878)	7.0607** (-10.671)	-	15.4439** (-14.654)	7.8201** (-8.068)		

At 2004-05 prices

** Significant at 5 per cent probability level

Figures in parentheses indicate t-values

Source: Statistical Abstracts of Punjab, various issues

V. SHORT TERM CREDIT FLOW TO AGRICULTURE SECTOR BY SCBS IN PUNJAB

Short term credit refers to short-term advances made by the financial institutions, intended to increase the production of crops, generally repaid from the sale proceeds of the crops raised. The overtime information regarding short term credit of SCBs in Punjab vis-à-vis India during 1980-81 to 2005-06 has been presented in the table that follows (Table 5). The credit availed by Punjab farmers from SCBs has increased manifold from Rs 32.22 crore to Rs 6965.43 crore during 1980-81 to 2005-06 with share of SCBs in total amount disbursed being 20.87 and 56.63 respectively. A significant proportion of short term credit was disbursed

to agriculture at India level which was Rs 517 crore which rose to Rs 45644 crore and the percentage of this credit to total amount disbursed was 25.26 and 48.51 respectively making 88 times increase in the availability of credit during the above said period. The percentage share of Punjab to India has almost doubled which was 6.2 in 1980-81 and increased to 15.3 in 2005-06.

Table 5
Short term credit of SCBs in Punjab vis-a-vis India, 1980-81 to 2005-06

(At current prices)

Year	Punjab			India			
	Amount disbursed to agriculture (Rs. Crore)	Total amount disbursed (Rs. Crore)	Per cent of SCBS to total	Amount disbursed to agriculture (Rs. Crore)	Total amount disbursed (Rs. Crore)	Per cent of SCBS to total	Per cent of Punjab to India (SCBs)
1980-81	32.22	154.37	20.87	517	2047	25.26	6.2
1981-82	16.26	214.38	7.58	623	2740	22.74	2.6
1982-83	40.41	239.11	16.90	565	2759	20.48	7.2
1983-84	28.05	226.75	12.37	872	3335	26.15	3.2
1984-85	61.66	491.67	12.54	1035	3731	27.74	6.0
1985-86	80.33	402.08	19.98	1252	4529	27.64	6.4
1986-87	83.43	392.18	21.27	1482	4512	32.85	5.6
1987-88	69.59	421.9	16.49	1672	5516	30.31	4.2
1988-89	68.13	420.44	16.20	1765	5884	30.00	3.9
1989-90	61.21	667.62	9.17	1898	6499	29.20	3.2
1990-91	65.6	411.9	15.93	2048	5979	34.25	3.2
1991-92	67.17	599.76	11.20	2341	6611	35.41	2.9
1992-93	75.99	682.37	11.14	2432	7665	31.73	3.1
1993-94	109.6	820.42	13.36	2860	9752	29.33	3.8
1994-95	103.01	955.75	10.78	3842	11932	32.20	2.7
1995-96	138.99	1188.32	11.70	4628	15273	30.30	3.0
1996-97	240.31	1289.64	18.63	5625	16956	33.17	4.3
1997-98	171.71	1335.55	12.86	6233	18632	33.45	2.8
1998-99	772.98	2438.54	31.70	7742	20610	37.56	10.0
1999-00	926.45	2861.31	32.38	9505	29045	32.73	9.7
2000-01	997.47	2949.22	33.82	10704	32355	33.08	9.3
2001-02	1994.26	4538.35	43.94	12661	38141	33.20	15.8
2002-03	2631.97	5536.94	47.53	16825	45288	37.15	15.6
2003-04	3498.18	6869.97	50.92	24134	59593	40.50	14.5
2004-05	5142.15	9173.96	56.05	29978	71748	41.78	17.2
2005-06	6965.43	12299.92	56.63	45644	94084	48.51	15.3

Source: Report on Currency and Finance, Statistical Elements Volume –II, various issues

The short term credit figures, for the purpose of better comprehension, have been presented on per unit area basis in Table 5. This short term credit per hectare of net sown area (NSA) in Punjab, which was 2.09 times that of the country at large in the year 1980-81 had increased from Rs 76.88 to Rs 16703.67 registering a CGR of 23.77 per cent per annum. The corresponding figures for country at large increased from Rs 36.85 in 1980-81 to Rs 3233.49 in the year 2005-06 registering a CGR of 17.73 per cent per annum.

However, how far this pumping in of short-term credit was helpful in the true sense of words can be appraised only when the figures are adjusted for inflationary trends. To arrive at short term credit availability at constant prices, the index of wholesale prices paid by farmers for intermediate inputs with base 2004-05 was used for adjusting for price changes. At 2004-05 prices, the amount disbursed in the form of short term credit per farmer in India had increased from Rs. 172.57 in 1980-81 to Rs. 2638.94 in 1996-97 registering a significant ($p < 0.01$) compound growth rate of 10.05 per cent per annum. The corresponding figures for Punjab have been much higher all through the period under study. The short term credit per ha of NSA in Punjab at constant prices in Punjab had increased from Rs. 360.01 in 1980-81 to Rs. 13632.31 in 2005-06 registering a significant ($p < 0.01$) compound growth rate of 15.71 per cent per annum as against comparatively much higher growth rate of 27.78 per cent observed in case of the amount disbursed at current prices.

It is pertinent to mention here that the short term credit advanced per hectare of NSA in Punjab recorded in the year 2005-06 (Rs. 13632.31) was five times as high as that advanced in case of India (Rs. 2638.94). This may be attributed to the fact that the Punjab farmers are considered more innovative farmers in terms of adopting new technology so they need more credit for their farming.

Table 6
Short term credit of SCBs per unit area basis in Punjab, 1980-81 to 2005-06

@ At constant prices

Year	Punjab		India	
	Rs./ha of NSA		Rs./ha of NSA	
	Current prices	Constant prices@	Current prices	Constant prices@
1980-81	76.88	360.01	36.85	172.57
1981-82	38.62	165.43	43.84	187.77
1982-83	96.17	401.51	40.12	167.52
1983-84	66.60	253.15	60.89	231.46
1984-85	147.20	522.51	73.46	260.75
1985-86	191.40	642.57	88.86	298.31
1986-87	198.55	632.95	106.18	338.48
1987-88	167.40	496.00	124.69	369.45
1988-89	162.02	447.07	124.39	343.24
1989-90	145.98	377.37	133.34	344.70
1990-91	155.52	367.81	143.22	338.70

contd. table 6

Year	Punjab		India	
	Rs./ha of NSA		Rs./ha of NSA	
	Current prices	Constant prices@	Current prices	Constant prices@
1991-92	158.91	327.56	165.29	340.71
1992-93	183.60	343.86	170.40	319.16
1993-94	260.09	449.58	200.93	347.32
1994-95	244.68	381.53	268.75	419.06
1995-96	336.05	517.60	325.46	501.29
1996-97	567.57	820.49	393.55	568.92
1997-98	402.51	560.81	439.10	611.79
1998-99	1839.11	2448.23	542.35	721.97
1999-00	2189.67	2774.86	673.83	853.91
2000-01	2339.28	2814.04	757.32	911.02
2001-02	4672.59	5490.37	899.67	1057.12
2002-03	6230.99	6996.69	1275.20	1431.90
2003-04	8327.02	8866.69	1715.16	1826.32
2004-05	12243.21	12243.21	2131.54	2131.54
2005-06	16703.67	13632.31	3233.49	2638.94
CGR,%/annum	23.7793**	15.7069**	17.7301**	10.0521**
1980-2005-06	(11.166)	(7.370)	(28.531)	(14.500)

@ At 2004-05 prices

** Significant at 5 per cent probability level

Figures in parentheses indicate t- values

Source: Report on Currency and Finance, Statistical Elements Volume –II, various issues.

VI. LONG TERM CREDIT FLOW TO AGRICULTURE BY SCBS IN PUNJAB

Credit availed by the farmer from the financial institutions for bringing about some improvements in his farm business generally comprising of medium term loans (payable within a period of 15 months to 5 years) and long term loans (payable within 5 years to more than 20 years) are together termed as Investment credit. The amount of long term credit disbursed during the period 1980-81 to 2005-06 has been rising almost at an equal CGR of nearly 13-14 per cent per annum and the availability of long term credit to agriculture in India increased from Rs 746 crores in 1980-81 to Rs 34955 crores (nearly 47 times) in 2005-06 (Table 7). The percentage of long term credit of Punjab to total India hovered around 7-8 all through the period. But the percentage of agricultural credit in Punjab increased from 72.03 to 83.07 and in India it rose from 53.71 to 70 per cent during the period 1980-81 to 2005-06. The beneficiaries of Punjab availed Rs 57.84 crores of long term credit from SCBs in 1980-81 accounting for 7.8 per cent of the total long term credit availability to agriculture in India. Even though the long term credit advanced increased approximately 48 times to Rs 2748.8 crores in Punjab in 2005-06, the proportion of this figure to that of India remained almost the same which was 7.9 per cent.

Table 7
Long term credit of SCBs in Punjab vis-a-vis India, 1980-81 to 2005-06

(At current prices)

Year	Punjab			India			
	Amount disbursed to agriculture (Rs. Crore)	Total amount disbursed (Rs. Crore)	Per cent to total	Amount disbursed to agriculture (Rs. Crore)	Total amount disbursed (Rs. Crore)	Per cent to total	Per cent of Punjab to India (SCBs)
1980-81	57.84	80.3	72.03	746	1389	53.71	7.8
1981-82	35.53	68.12	52.16	873	1556	56.11	4.1
1982-83	104.17	147.48	70.63	660	1593	41.43	15.8
1983-84	57.25	100.56	56.93	986	1909	51.65	5.8
1984-85	103.61	148.73	69.66	1426	2436	58.54	7.3
1985-86	146.12	243.73	59.95	1477	2629	56.18	9.9
1986-87	162.16	227.83	71.18	1851	3208	57.70	8.8
1987-88	136.52	199.08	68.58	1854	3682	50.35	7.4
1988-89	169.13	231.69	73.00	2048	3497	58.56	8.3
1989-90	170.02	250.07	67.99	2385	4129	57.76	7.1
1990-91	181.1	255.07	71.00	2628	4209	62.44	6.9
1991-92	193.35	272.67	70.91	2465	4588	53.73	7.8
1992-93	207.23	300.98	68.85	2528	4864	51.97	8.2
1993-94	261.53	387.89	67.42	2540	5261	48.28	10.3
1994-95	221.35	407.93	54.26	3566	6841	52.13	6.2
1995-96	319.61	554.73	57.62	4647	8419	55.20	6.9
1996-97	256.45	491.58	52.17	5050	9389	53.79	5.1
1997-98	371.41	597.29	62.18	5304	10007	53.00	7.0
1998-99	398.89	909.67	43.85	6921	12087	57.26	5.8
1999-00	449.95	1071.3	42.00	6845	15968	42.87	6.6
2000-01	374.71	769.41	48.70	5736	15346	37.38	6.5
2001-02	693.49	1048.43	66.15	5977	15612	38.28	11.6
2002-03	853.26	1160.82	73.50	8431	19887	42.39	10.1
2003-04	772.97	1288.62	59.98	12069	23834	50.64	6.4
2004-05	1435.13	2149.43	66.77	18389	33555	54.80	7.8
2005-06	2748.8	3308.91	83.07	34955	49938	70.00	7.9
CGR	13.0956** (13.865)	13.4935** (19.796)		13.1767** (17.250)	13.6192** (30.080)		

** Significant at 5 per cent probability level

Figures in parentheses indicate t- values

Source: Report on Currency and Finance, Statistical Elements Volume –II, various issues

The long term credit use per ha of NSA both in Punjab and India was increasing at almost an equal percentage of CGR per annum which was approximately 13 at current prices and at constant prices it was around 5 and 8 in Punjab as well as in India respectively during the period 1980-81 to 2005-06 (Table 8).

Table 8
Long term credit of SCBs per unit area basis in Punjab, 1980-81 to 2005-06

@ At constant prices

Year	Punjab		India	
	Rs./ha of NSA		Rs./ha of NSA	
	Current prices	Constant prices@	Current prices	Constant prices@
1980-81	138.01	646.28	53.18	249.01
1981-82	84.39	361.49	61.43	263.12
1982-83	247.91	1035.02	46.87	195.69
1983-84	135.92	516.69	68.85	261.72
1984-85	247.34	877.99	101.21	359.26
1985-86	348.15	1168.83	104.83	351.92
1986-87	385.91	1230.24	132.61	422.75
1987-88	328.41	973.04	138.27	409.66
1988-89	402.21	1109.84	144.34	398.28
1989-90	405.49	1048.20	167.56	433.14
1990-91	429.35	1015.40	183.78	434.62
1991-92	457.42	942.88	174.05	358.76
1992-93	500.68	937.74	177.13	331.75
1993-94	620.62	1072.79	178.45	308.46
1994-95	525.77	819.84	249.44	388.95
1995-96	772.75	1190.23	326.79	503.34
1996-97	605.69	875.59	353.32	510.76
1997-98	870.63	1213.03	373.65	520.60
1998-99	949.06	1263.39	484.83	645.41
1999-00	1063.46	1347.67	485.25	614.94
2000-01	878.78	1057.12	405.83	488.19
2001-02	1624.86	1909.24	424.71	499.05
2002-03	2020.03	2268.26	639.00	717.53
2003-04	1839.97	1959.22	857.72	913.31
2004-05	3416.98	3416.98	1307.52	1307.52
2005-06	6591.85	5379.78	2476.27	2020.95
CGR,%/annum	13.0671**	5.6932**	13.2066**	5.8238**
1980-2005-06	(13.706)	(5.972)	(17.282)	(7.723)

@ At 2004-05 prices

** Significant at 5 per cent probability level

Figures in parentheses indicate t- values

Source: Report on Currency and Finance, Statistical Elements Volume –II, various issues.

This credit in absolute terms increased from Rs 138.01 in 1980-81 to Rs 6591.85 in 2005-06 in Punjab. In India, the long term credit by SCBs was nearly 47 times to that of credit in 1980-81 which increased from Rs 53.18 to Rs 2476.27 in 2005-06. So it can be inferred that in Punjab, the long term credit by SCBs, per

hectare of NSA was 2.6 times that of long term credit in India during 1980-81. When in India, the long term credit by SCBs was appraised at constant prices, by adjusting to the price changes with base 2004-05; it was found that the amount adjusted in the form of long term credit per hectare of NSA in Punjab increased from Rs 646.28 in 1980-81 to Rs 5379.78 in 2005-06. The long term credit per hectare of NSA in Punjab which was Rs 646.38 in 1980-81 increased to Rs 1230.24 in 1986-87 and again declined continuously to Rs 1213.03 in 1997-98 can be justified on the grounds that that the agriculture in the state is considered to be over capitalized especially in farm machinery and its use is sub-optimal.

Studies have shown that the annual average use of tractor in Punjab was 400 hours per annum in Punjab, whereas its rational and optimal use is considered to be 1000 hours per annum at which level it justifies fixed investment on it. (Sidhu, 1988). Easy credit availability leading to farm mechanization, besides, technical compulsions of owning tractor due to concentration of field operations in a short time interval because of dominance of paddy-wheat rotation and the social prestige of owning tractor were some of the factors responsible for these trends. The responsibility of over mechanization also lies in the lending policies of SCBs, which consider the tractor loans as the safest ones. However, the supply of investment credit should not be curtailed on these grounds because there are so many other investment avenues in the agriculture and allied areas like poultry, dairy, forestry, horticulture, etc., in which Punjab may prove its comparative advantage and which need to be promoted in the wake of the policy of market globalization under WTO.

Thus, it is revealed that SCBs in Punjab concentrated on long term credit rather than short term credit, as the long term loans were relatively secure due to collaterals. The average size of the loans was large and they were few as compared to crop loans. Thus, the expansion of rural branch network seems to have captured the long term credit market.

CONCLUSION AND SUGGESTIONS

From the analysis it is clear that there has been consistent increase both in number as well as the quantum of agriculture credit in Punjab during the past few decades. The share of agriculture in total bank credit was 23.22 per cent and the ratio of direct and indirect credit was 82 and 18 respectively in the year 2013. Another worth mentioning point is that the long term credit percentage has declined over the given period due to the achievement of the saturation level of the investment on machinery and secondly due to the reluctance on the part of the SCBs to finance due to low returns, poor recovery and inadequate loan security and it should be considered a healthy sign for the financial institutions as the recovery of short term loans cannot be delayed.

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