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A Study of Financing to Agriculture Sector by Commercial Banks in Ahmednagar District

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Abstract:

The credit for agriculture in India is provided both by organized and unorganized agencies. The organized agencies consist of co-operatives, commercial banks, Regional Rural Banks, and Government. The unorganized agency consists of professional money-lenders, traders, relatives and friends, land lords and others. Among organized institutions, the commercial banks are providing finance to agriculture substantially. These institutions have an intimate knowledge of villagers with whom they have to deal. Reserve Bank of India has taken program in progress by introducing NABARD in 1981. The main aim behind it was to provide credit to rural area for growth of businesses, agricultural activity and consequently financial development of that area. The research was under taken to study agricultural finance provided by commercial banks and District Co-operative Bank in Ahmednagar District and also trying to find out answers to the problems faced by banking sector and beneficiaries relating to agricultural finance.

Keywords: Agriculture finance, GoI (Government of India), district, credit, plan, Ahmednagar District, CSA etc.

Introduction:

Agriculture is the dominant sector in Indian Economy. No survey of the Indian Economy can afford to neglect the agricultural sector. It has about 20.2% contribution in the national income in 2020-21. This fact highlights the largeness of the proportion of agricultural products which mark the profile national income by other sectors. A very high proportion of working population in India is engaged in agriculture and allied sectors like storage , processing trade and transport of agricultural

products and for these all activities finance is necessary.

The finance for agriculture in India is provided both by organized and un-organized agencies. The organized agencies consist of co-operatives, commercial banks, RRB's and Government. The unorganized agency consists of professional money – lenders, traders, relatives and friends, landlords and others.

Among organized institutions, the commercial banks are providing finance to agriculture sectors broadly. The finance providing by these banks are helpful to small farmers to hold rich potential. But, agriculture appeared to the commercial banks as a unattractive sector because of limited amount of money involved, inadequate securities for loans etc.

Statement of Problem:

1. Agricultural finance is not available per requirement of farmers.
2. Lack of co-ordination while implementing Agricultural finance by commercial banks.
3. Utilization of agricultural finance to unproductive causes.
4. Due to natural calamities and low prices of agricultural products prompt repayment is not possible.

Objectives of Study:

- 1) To study role of the commercial banks in Agricultural finance.
- 2) To study implementation of Agricultural Finance plan in Ahmednagar District.
- 3) To study problem faced by farmers and banks related with agricultural finance.
- 4) To study assess the progress and performance of the commercial banks in Ahmednagar District.

Scope of the study:

As the Ahmednagar district is the geographically largest district in the Maharashtra state, this study is mainly confined to the agricultural finance provided by commercial banks. This study analyzes the agricultural finance provided by these banks in Ahmednagar district.

Research Methodology:

The present research study will depends upon secondary data. The secondary data will gathered through different types of books and records of the Lead bank of district. The previous research articles, reference books also used for collection of secondary data and various websites.

Role of Commercial Banks towards Agricultural Finance in India:

In the pre-independence period, commercial banks provided loans to agriculture. It is insignificant. From 1950-51, only one per cent of the total credit supply was provided by commercial banks. As commercial banks were formed on a commercial basis, they provided a large amount of credit to the trade and industry. They also used to earn more profit and secure loans. The main reason

is that Indian agriculture is dependent on rain water. If nature poses a threat, nothing will happen to the farmers. He cannot repay the loan on time. Therefore, these banks do not dare to lend to agriculture. Even so, owning one is still beyond the reach of the average person. To accomplish this, 14 major commercial banks were nationalized on 14 July 1969 and six commercial banks on 15 April 1980, after these commercial banks undertook various schemes to provide credit to agriculture. They also took initiative to create regional rural banks to free the farmers from the clutches of moneylenders and to develop the rural areas.

In 1999-2000, commercial banks and regional rural banks together provided 58.7 per cent of the total institutional credit supply. These banks lent only 13.5 per cent of the total credit supply to small and marginal farmers in 1997. According to these banks, there is nothing to mortgage from the side farmers. Even if the land is mortgaged, there are many technical difficulties in this regard. These banks are only willful towards the big farmers. But now the situation has been change according to "Operational and Performance Report of Commercial Banks- 2021" given by RBI guidelines theses banks are also focusing on lending to small and marginal farmers as well.

Agricultural Finance provided by Commercial Banks in Ahmednagar District:

The present research has studied the progress made by commercial banks in Ahmednagar district in providing agricultural finance. It provides information on the financing provided by commercial banks for agriculture and non-agricultural sector, based on information obtained from the annual plan of Central Bank of India, a leading bank in Ahmednagar district.

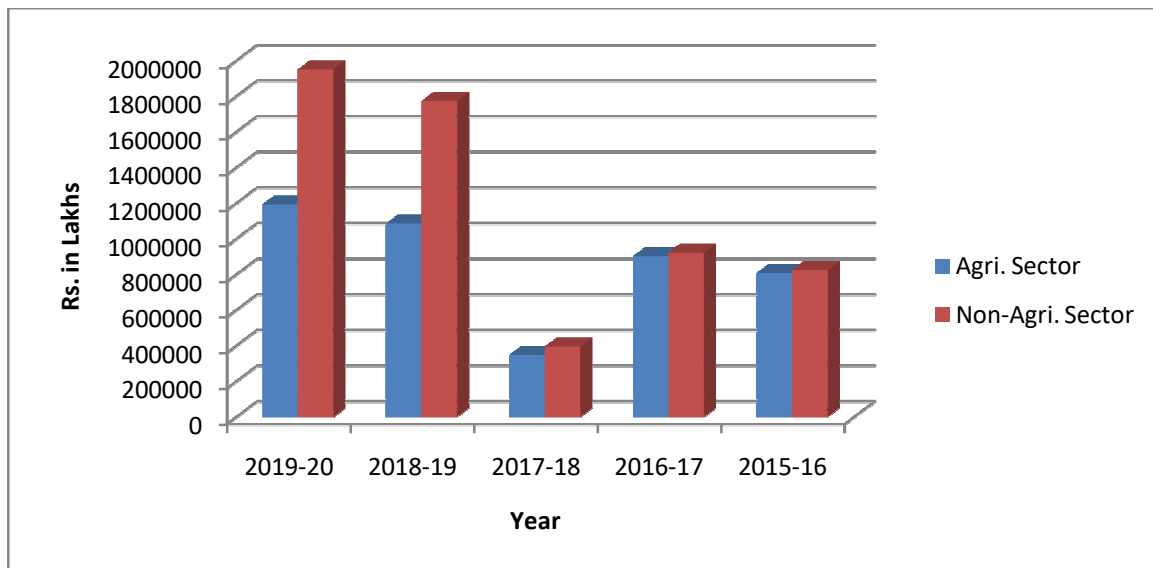
The following table shows the details of agricultural loan disbursement by commercial banks in Ahmednagar district for the period 2015 to 2020.

Sr. No.	Year	No. of Commercial Banks	Branches in District	Deposits in Banks(Rs. in Lakhs)	Loan given by Commercial Banks (Rs. in Lakhs)	
					Agri. Sector	Non-Agri. Sector
1	2019-20	183	610	2631530	1193565	1951326
2	2018-19	183	610	2410860	1085057	1773930
3	2017-18	183	610	2238218	349642	395587
4	2016-17	183	610	2009050	903365	922721
5	2015-16	183	610	1786492	807706	825014

(Source: Reports of Central Bank of India, Nagapur(Lead Bank), Ahmednagar District)

The above table shows that, there is no expansion of branches of commercial banks during last five year. But the amount of deposits and loan provided by commercial banks has been increased tremendously.

Graphical Representation of Finance provided by Commercial Banks:



(Source: Reports of Central Bank of India, Nagapur(Lead Bank), Ahmednagar District)

Interpretation:

The finance provided by commercial banks to agriculture sector in ahmednagar district in 2015-16 was Rs. 807706 Lakhs which was increased by Rs. 1193565 in 2019-20, the rate of Growth is 47.77 % and the finance provided by commercial banks to Non-Agriculture sector in Ahmednagar district in 2015-16 was Rs. 825014 Lakhs which was increased by Rs. 1951326 in 2019-20 the rate of Growth is 136.52 %. From the above study researcher has analyzed that, the growth of commercial banks towards agriculture sector is increased but the rate of growth is too much less as compared to Non-agriculture Sector.

Conclusion & Suggestion:

From the above study researcher identify that the commercial banks have to find out unbanked areas and take necessary actions for opening of bank branches to decrease the imbalances in the banking facilities across the Ahmednagar district. No doubt those commercial banks have a greater impact on economic development of the District, but there is need to increase the amount of finance towards agriculture sector.

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