

Growth and Pattern of Farm Loans in Tamil Nadu with Reference to Tamil Nadu Grama Bank

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Abstract

Banks and other financial institutions are considered to play a vital role in the development of the rural economy in India. Over 64 per cent of the rural households still depend on agriculture as their principal means of livelihood. However, its contribution to GDP is less than 14 percent. Over the past few decades and the importance of the rural banking in the economic development of a country cannot be overlooked. This paper attempts to study the growth and pattern farm loans in Tamil Nadu for a period of 9 years. Percentage growth rate were used to analyse the data. The study has been conducted in Tamil Nadu Grama Bank and based on secondary data. The analysis conveyed that Tamil Nadu Grama Bank has been quite successful in disbursing Crop and Non-Crop loan in Tamil Nadu. The study that observed the percentage of disbursement has fluctuated during the period under reference. In year 2017 percentage of agricultural crop loan was very high. But at the same time the year 2019 total crop loan has been found to be very low. The main reason was both Pandiyan and Pallavan Grama Bank amalgamated on April 1st 2019.

Key Words: Agriculture, Crop and Non-Crop Loan, TGB, Growth Rate, Financial Institutions

1.INTRODUCTION

In India majority of the population lives in rural areas. The agricultural sector affects directly or indirectly almost all the economic activities in the country and provides employment to the maximum number of people. A significant part of the revenue of the government is also generated from the rural areas. The necessity of rural finance was felt to provide protection and rural people from the usurious moneylenders, landlords, and traders and, others they exploit farmers and small entrepreneurs by charging high rate of interest and force farmers to sell their produce at low price to them. Farmers also face the risk of unpredictable production of crops due to high dependency on monsoon, including problem of finance, they also suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural indebtedness. (Sidhu et al 2006)

The Government of India has initiated several policy measures to improve the accessibility of farmers through the institutional sources of credit. The emphasis of their policies has been on progressive institutionalization. For providing timely and adequate credit support to all farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. These policy measures have resulted in the increase in the share of institutional credit of the rural households (Pedasaidamma 2015). In which RRBs have contributed immensely to the rural credit.

The Indian Banking Sector has been the backbone of the Indian economy over the past few decades and the importance of the rural banking in the economic development of a country cannot be overlooked. Without the development of rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to play a vital role in the development of the rural economy in India. Following the recommendations of the Narasimham Committee (1975), Regional Rural Banks were set up to meet the challenges of institutional credit both short and long run (**Ibrahim 2011**).

The disbursement made by the Bank during the financial year under agricultural credit was Rs.46,605,335 thousand of which Rs.40,429,414 thousand was towards production credit and Rs.6,175,921 thousand for investment credit. Financial assistance has been extended to Rs.156,570 new farmers covering an average of 540 farmers per branch. The total agricultural advances stood at Rs.44,151,539 thousand as of March 2019 and constituted 83.37 percent of the Gross Bank credit.

Investment credit in Agriculture continues to be the focus area of our Bank. Credit flow to Investment Credit can scale up capital formation under agriculture. The total outstanding under investment credit was Rs.2,898,769 thousand constituting 5.47 percent of total advances (**TGB 2019**).

Narasimhan et al (2013). A Study on Current Status of Regional Rural Banks in India, 2013 analyzed the financial performance of RRBs in India during the period 2006-07 to 2010-11. They had analyzed the performance using various key performance indicators such as number of banks, branches, loans, advances etc. and concluded a positive impact on the performance of RRBs.

Gowhar et al (2013). Studied the quantum of loans issued and outstanding by institutional agencies and examined the progress of Scheduled Commercial Banks in supplying agricultural credit in India. The study revealed that the institutional credit in India to agriculture sector has been increased in its quantum. The credit provided by the various institutional sources has increased its advances. But an effort has to be taken by the banks to reduce its outstanding, so that the recovered institutional credit should be pumped in to agricultural sector further for its growth.

Huma Naz (2014). Banking Sector Reforms and Development of Banking Industry, 2014 explained the development of RRB's using models of SWOT analysis and Porters Five Forces Model. It discusses measures initiated by the Reserve Bank in India [RBI] in order to implement the Reforms and Measures.

Smriti Pathak et al (2015). The Role of Regional Rural Banks (RRB's) in Financial Inclusion: An Empirical Study in India a study on the role of RRBs in India in financial inclusion. An effort has been made in the instant project to study and find out whether RRBs in this region has made any progress towards ensuring broader banking services for the rural poor people in strengthening the India's position in relation to financial inclusion.

Durdana Begum et al (2017). Banks play a main role in allocation of resources in any country. Rural people in India are facing problems in the inadequate supply of credit. The major source of credit to rural households, particularly low income working households, has been the informal sector. Informal sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in rural population in India. Regional Rural Banks (RRBs) play a significant role in the development of rural areas in India by providing needed financial assistance to agriculture, trade, commerce, industry and other productive activities in the rural areas.

Lakshmy Reddy et al (2019). Improvement Country mainly depends on agricultural rural masses. To meet the agricultural needs of rural masses which are inadequate in condition the government. decided to establish a poor people bank (RRBs) for the purpose of mobilizing the deposits and disbursement of loans to the needy people. The present paper focused on the growth pattern and trend of agriculture loan disbursement by RRBs for a period of ten years. The study is mainly based on secondary data, which is assembled from the annual reports of NABARD and reports on trend and progress of banking in India.

Banks today are an essential part of the economy for the services they provide. Coimbatore district is well known for agriculture improvement in the credit facilities were very helpful for the agriculture sector, today's banking sector serves a variety of services via loans, and in fact is necessary for any industry to keep moving ahead.

In India, for the financial years 2018-19, can see that almost half the credit from banks has been spent on manufacturing industries more than on agriculture, service industries, etc. Apart from this, the banking sector is also very essential for the import and export system of a country. The main drive behind the setting up of Regional Rural Banks was to extend financial assistance to weaker sections of the rural areas such as small and marginal farmers, agricultural labourers, rural artisans and small entrepreneurs in order to ensure livelihood to them. They were setup with the aim to provide low cost banking services to the rural poor.

1. To study the crop and non-crop loans disbursed by Tamil Nadu Grama Bank and
2. To analyse the trend and growth of crop and non-crop loans by Tamil Nadu Grama Bank.

The present research paper is descriptive in nature and makes use of secondary data. The relevant secondary data have been collected mainly through the data bases of National Bank for Agriculture and Rural Development

(NABARD) and Tamil Nadu Gram Bank (TGB) The journals like the banker and the Journal of Indian Institute of Bankers have also have been referred. An attempt is made there in this paper to examine the crop and non-crop loan structure of the Tamil Nadu state and the role played by the TGB. The study is confined only to the specific area like made, loan made by the TGB especially Disbursement crop and non-crop period starting from 2011-2019. In order to analyze the data and draw conclusion in this study statistical tools like percentage and growth rate were used.

The research study is significant as it aims to evaluate performance of TGB in spreading loan in Tamil Nadu. The results and findings of the present study are discussed below.

2. RESULTS AND DISCUSSION

Tamil Nadu Grama Bank occupy an important position in the rural credit market and providing loan to agricultural sector for their development in the country.

Table No. 2.1 Performance of Crop and Non-Crop Loans by Tamil Nadu Grama Bank

(Rs.in thousand)

Year	Crop					Non-Crop				
	Demand	Collection	Balance	Total	Percentage of Recovery	Demand	Collection	Balance	Total	Percentage of Recovery
2011	12,25,230	12,02,301	229,29	24,27,531	98.12	50,12,325	48,73,462	1,38,863	1,00,24,650	97.22
2012	13,76,141	13,18,466	576,75	26,94,607	95.8	58,89,770	54,75,145	4,14,625	1,17,79,540	93
2013	18,77,677	16,85,159	1,92,518	37,55,354	89.75	28,22,458	26,38,480	1,83,978	56,44,916	93.48
2014	22,53,212	20,12,079	2,41,133	45,06,424	89.3	33,86,950	31,50,345	2,36,604	67,73,899	93.01
2015	35,42,524	31,49,927	3,92,597	70,85,048	88.92	28,87,262	27,41,989	1,45,273	57,74,524	94.97
2016	23,51,019	21,34,084	2,16,935	47,02,038	90.77	33,45,178	30,93,841	2,51,337	66,90,356	92.49
2017	1,85,71,868	1,77,04,070	8,67,798	3,71,43,736	95.33	1,25,15,890	1,12,47,384	12,41,506	2,50,04,780	90.08
2018	2,00,21,743	1,91,43,914	8,77,829	4,00,43,486	95.62	1,27,75,930	1,18,42,362	9,33,568	2,55,51,860	92.69
2019	8012.21	7873.82	138.39	16024.42	98.27	3461.34	3361.57	99.76	6922.67	97.11

Source: TGB Annual Report.

It was observed that there was a fluctuated growth of percentage share of Performance of crop and non-crop loans Tamil Nadu Grama Bank. It is inferred from the above table that there is a significant growth in the case of crop loan to agricultural sector by Tamil Nadu Grama Bank that is it raised from 2017 to 2018 after that amalgamated the two banks into one RRBs on state concept. 2019 the variation level was low rate. Not but truly below the percent were digressing.

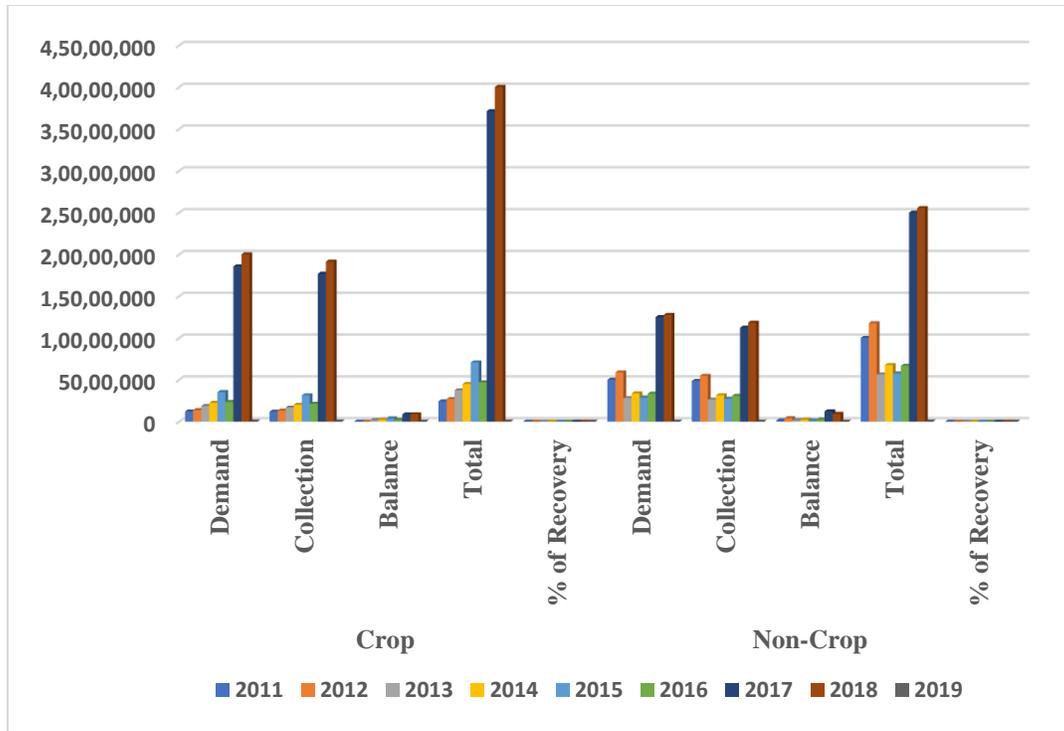


Figure-1 Crop and Non-Crop Loans

Figure 1: shows that the crop and non-crop loans were significantly increased by year by year crop loan demand and collection by the amount almost paid successfully the total collection (Rs. 97 percent) achieved over the nine years period. The non-crop demand and collection amount were (Rs. 96 percent) over the nine-year period.

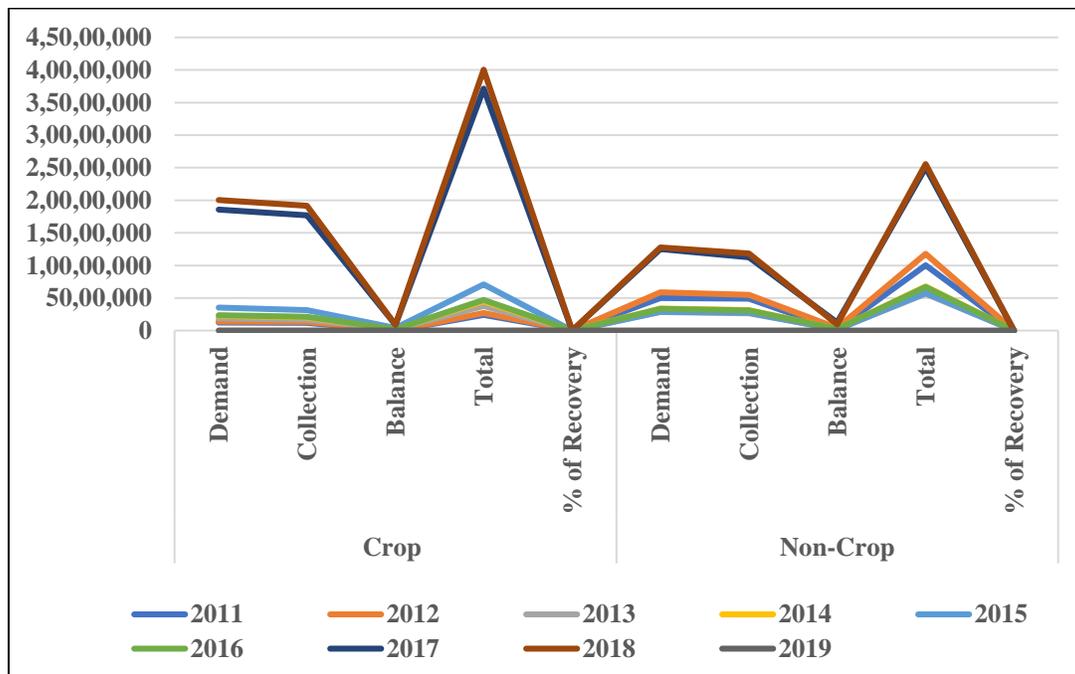


Figure-2 Trend Line-Crop and Non-Crop Loans in Tamil Nadu Grama Bank

Figure 2 shows that maximum part of the total disbursement has allocated to crop loan by the agriculture sector as the growth rates of agriculture sector loan has been 97.27 percent total crop loan has risen with the growth was very high, whereas the disbursement non crop loan has increased at 97.17 percent also significant during the overall study period.

3. FINDINGS

- It is inferred from the discussion that there is a significant growth 95.25 percent in the case of crop loan to agricultural sector the by Tamil Nadu Grama Bank.
- The crop loan demand and collection almost paid successfully the balance was very few the total collection amount 97 percent achieved over the nine years of crop loan.
- The non-crop demand and collection amount was 96 percent over the nine year the situation balance was very low the overall total non-crop loan 95 percent achieved.
- The 97.27 percent total crop loan has risen from 2011 to 2019.
- Non crop loan has increased at 97.17 percent significant during the overall study period.

4. CONCLUSION

Based on the analysis made the agricultural crop loan found to be maximum agriculture crop loan was continuously improved. The study concludes that Tamil Nadu Grama Bank has been quite successful in providing crop and non-crop loan in Tamil Nadu. The percentage of crop loan has fluctuated during the period under reference. Growth rates of agriculture sector crop loan has been well improved the nine years.

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