

Financing of Agriculture by Commercial Banks in S.P.S.R. Nellore District, A.P.



Commerce

KEYWORDS :

Dr.P. Siva Ramakrishna

Academic Consultant, Dept. of Commerce, Vikrama Simhapuri University, Nellore.

1. Introduction

After the adoption of multi-agency approach for agricultural credit, co-operatives, regional rural banks and commercial banks are involved in the provision of finance to agriculture to in the SPSR Nellore district, Andhra Pradesh as elsewhere in the country. An attempt is made in this article how far commercial banks made available funds to farmers in the district top introduce mechanization, high yielding varieties feticides and fertilizers and manus to improve agricultural productivity. The issues highlighted include: deposit mobilization; credit deployment; coverage of priority sector and differential rate of interest (DRI) scheme; credit deposit ratio (CDR); targets and achievement; and overdues in the recent past. These are analyzed and interpreted in respect of commercial banks.

2. Deposit Mobilization

These banks with a network of 228 branches spread over different parts in the district particularly rural mobiles deposits and deploy credit to different groups in the society. A look at the Table 1 shows that the deposits of commercial banks have

Table 1: Deposits of Commercial Banks in S.P.S.R. Nellore district during 2004-13 (Rs. lakhs)

Year	Deposits	% of change	Deposits per branch	% of change
2004	192505.71	--	863.25	--
2005	194480.74	1.03	872.11	1.03
2006	209376	7.66	918.31	7.66
2007	265680	26.89	1165.26	26.89
2008	327348.8	23.22	1435.74	23.22
2009	431203	31.73	1891.24	31.73
2010	4586 61	6.37	2000.26	6.37
2011	4762 30	3.83	2088.72	3.83
2012	5987 26	25.72	2625.99	25.72
2013	680501	13.66	2984.65	13.66
Mean	383471.23		1684.55	
CGR(%)	13.46		13.21	
t cal	6.87 ^{NS}		NS	2.55

Note: NS- Not significant

Sources:

- i. Relevant issues of Syndicate Bank, **Annual Action Plan**, S.P.S.R. Nellore district, Nellore
- ii. Relevant issues of Andhra Bank, **Annual Credit Plan of AP**, Hyderabad; and
- iii. Relevant issues of Government of Andhra Pradesh, **Statistical Abstracts of AP**, Hyderabad.

increased from Rs. 192505.71 lakhs in 2004 to Rs. 680501 lakhs in 2013. These have registered a compound growth rate (CGR) of 13.46 per cent, which are not significant. This is due to that fact that the calculated value of 't' is less than its critical value. On

an average, per year deposits stood at Rs. 383471.23 lakhs during the period. The year to year changes are significant over the period. The rate of increment was in the range of 1.03- 31.73 per cent during the period. The deposits per branch were Rs. 863.25 lakhs in 2004 while Rs. 2984.65 lakhs in 2013. There are wide fluctuations in the period as already noted. The mean deposits stood at Rs. 1684.55 lakhs. The CGR was 2.55 per cent, which is insignificant.

3 Credit Operations

Like deposits, credit increased in the district between 2004 and 2013. The advances of commercial banks are furnished in the Table2. It is evident from the Table that advances have increased from Rs.165696.26 lakhs in 2004 to Rs. 1157002 lakhs

Table 2: Advances of Commercial Banks in S.P.S.R. Nellore district during 2004-13 (Rs. lakhs)

Year	Advances disbursed	% of change	Advances per branch	% of average
2004	165696.26	--	744.26	--
2005	208571.80	25.88	935.30	25.67
2006	201927	-3.19	885.64	-5.31
2007	421129	108.56	1847.05	108.56
2008	467024	10.89	2094.28	13.39
2009	524628	12.33	2301	9.87
2010	654893	24.83	2872.34	24.83
2011	707510	8.03	3103.11	8.03
2012	893945	26.35	3920.81	26.35
2013	1157002	29.43	5074.57	29.43
Mean	540232.6		2377.836	
CGR (%)	21.45		21.16	
t cal	1.19**		5.21**	

Note: ** Indicates significant at 1 per cent level.

Sources:

- i. Relevant issues Government of Andhra Pradesh, **Statistical Abstracts of AP**, Hyderabad.
- ii. Relevant issues of Andhra Bank, **Annual Credit Plan of AP**, Hyderabad
- iii. Relevant issues of Syndicate Bank, **Annual Credit plan**, S.P.S.R. Nellore district, Nellore

during 2013. The CGR was 21.45 per cent, which is significant at 1 per cent level. The mean advances were Rs. 540232.60 lakhs. There are significant variations in the yearly change. There is a decline in 2006 over 2005 by 3.19 per cent. It may be noted that the progress in advances was twice in 2007 upon 2006. The variation in the change was in the order of 8.03 – 108.56 per cent. The advances per branch stood at Rs. 744.26 lakhs during 2004 as against Rs. 5074.57 lakhs during 2013, which registered a CGR of 21.16 per cent, which is significant at 1 per cent level. The year to year changes follow the pattern which can be witnessed in aggregate advances disbursed during the period. On an average, per year advances were Rs. 22778.36 lakhs.

4 priority sector

A glance at the Table 3 reveals that the advances of commercial banks to agriculture have increased from Rs. 866.43 crores in 2004 to Rs. 4660.87 crores in

Table 3: Advances Commercial Banks to priority sector including Agriculture in S.P.S.R. Nellore district during 2004-13. (Rs. crores)

Year	Agriculture	Priority sector	Total advances	% of agriculture to total advances	% of Priority sector to total advances
2004	866.43	1531.04	1659.69	52.20	92.25
2005	977.43	1689.73	2085.72	46.86	81.01
2006	1020.10	1830.25	2019.27	50.52	62.7
2007	1778.87	2690.03	4211.29	66.12	63.9
2008	1968.89	2846.56	4670.24	42.16	61.0
2009	1551.5	2648.36	5246.28	58.60	50.5
2010	2451.00	4390.19	6548.93	37.43	67.04
2011	2 640.18	5123.98	7075.10	37.32	72.42
2012	3783.2	6087.52	8939.45	42.32	68.10
2013	4660.87	6950.86	8904.61	52.34	78.06
Mean	1905.83	3578.85	85069.28		
CGR (%)	18.32	16.33	16.33		
t-cal	-5.56**	-6.52**	9.25*		

Notes: * Indicates significant at 5 per cent level. ** Indicates significant at 1 per cent level.

Sources:

- Relevant issues of Syndicate Bank, **Annual Credit Plan**, S.P.S.R. Nellore district, Nellore; and
- Relevant issues of Andhra Bank, **Annual Credit Plan of AP, Hyderabad**.

2013 whereas advances of Priority sector increased from Rs. 1531.04 crores to Rs.6950.86 crores in the same period. The CGR was 18.32 per cent and 16.33 per cent in the former and the latter which are significant at 1 per cent level. The total advances were Rs. 1659.69 crores in 2004 whereas they were Rs. 8904.61 crores in 2013. The CGR was 9.25 per cent, which is significant at 5 per cent level. The mean advances have worked out to Rs.1905.83 crores, Rs. 3578.85 crores and Rs. 85069.28 crores for agriculture, priority sector and aggregate level. The percentage of agricultural advances in the total advances has formed 52.20 per cent in 2004 as compared to 52.34 per cent in 2013. In the mean time, the variations are noteworthy. It varied between 37.32 per cent and 66.12 per cent. The share of priority sector in the total advances has constituted 92.25 per cent in 2004 vis-à-vis 78.60 per cent in 2013. In the meanwhile, it fluctuated between 50.50 per cent and 92.25 per cent. Thus, the share of agriculture and the priority sector in the total advances has remarkably varied.

It can be observe from the Table 4 that the commercial banks have made available Rs. 4266.55 lakhs in 2004 as against Rs. 22508.50 lakhs in 2012. On an

Table 4: Commercial Banks Advances to Weaker Sections in S.P.S.R. Nellore district during 2004-13 (Rs.lakhs)

Year	Weaker sections	Total advances	% to total
2004	4266.55	165969.26	2.57
2005	3200	208571.80	1.53
2006	3500	20192.70	17.33
2007	4000	42112.90	9.50
2008	8786.694	46702.40	18.81
2009	8242.9	52462.8	15.71
2010	14509.4	65489.3	22.16
2011	17051.2	70751.00	24.10
2012	22508.5	89394.50	25.18
2013	NA	89046.10	-
Mean	8606.52	85069.28	
CGR (%)	18.09	16.33	
t cal	5.13*	9.25*	

Notes : * Indicates significant at 5 per cent level, NA- Not available.

Sources :

- Relevant issues of Syndicate Bank; **Annual Credit Plan**, S.P.S.R. Nellore district, Nellore; and
- Relevant issues Andhra Bank; **Annual Credit Plan of AP**, Hyderabad

average, per year, advances to weaker sections have worked out to Rs. 8606.52 lakhs. The CGR was 16.33 per cent, which is significant at 5 per cent level. The share of weaker sections in the total advances was in the range of 1.53-25.18 per cent during 2004-12. The commercial banks in the district have failed to reach the RBI norm that 25 per cent of advances should be earmarked for weaker sections during the period except 2012. The trend is somewhat encouraging.

A perusal of the Table 5 reveals that Rs. 24.53 lakhs were made available in 2004 relative to Rs. 16.50 lakhs in 2012. The CGR was negative at 2.95 per cent, which is significant at 5 per cent level. There are variations in the yearly amount. The percentage of advances under DRI scheme to total advances was less than 1 per cent

Table 5: Credit Operations of Commercial Banks under DRI Scheme in S.P.S.R. Nellore district during 2004-13 (Rs.lakhs)

Year	DRI scheme	Total advances	% of DRI scheme to total advances
2004	24.53	165969.26	0.15
2005	27.20	208571.80	0.13
2006	30.00	20192.70	0.15
2007	40.31	42112.90	0.95
2008	62.12	46702.40	1.33
2009	35.60	52462.8	0.68
2010	15.40	65489.3	2.35
2011	15.10	70751.00	2.13
2012	16.50	89394.50	1.85
2013	NA	89046.10	-
Mean	26.68	85069.28	
CGR (%)	-3.89	16.33	
t cal	2.95**	9.25**	

Notes: ** Significant at 1 per cent level, NA- Not available

Sources:

- Relevant issues of Syndicate Bank, **Annual Credit Plan**, S.P.S.R. Nellore district
- Relevant issues Andhra Bank, **Annual Credit Plan of AP**, Hyderabad

in 5 years. In the remaining period, it varied between 1.33 per cent and 2.35 per cent. The commercial banks in the district have failed to reach the stipulated norm of RBI that the share of DRI scheme in the total advances should be one per cent in 6 years out of 9 years.

5 Credit deposit ratio

As per RBI norms the CDR should be 60 per cent. A perusal of Table indicates that the growth in advances is more than that of the deposits mobilized during the period. The CDR was more than 100 per cent during the period except 2004 (86.22 per cent) and 2006 (96.44 per cent). It registered the highest, 158.51 per cent in 2007. It may be said that the advances were more than the deposits mobilized in the district.

Table 6: Credit Deposit Ratios of Commercial Banks in S.P.S.R. Nellore district during 2004-13 (Rs. lakhs)

Year	Advances	Deposits	CDR (%)
2004	165969.26	192505.71	86.22
2005	208571.80	194480.74	107.25
2006	20192.70	209376.00	96.44
2007	42112.90	265680.00	158.51
2008	46702.40	327348.80	142.67
2009	52462.80	431203.00	121.67
2010	65489.30	458661.00	142.78
2011	70751.00	476230.00	148.56
2012	89394.50	598726.00	149.31
2013	89046.10	680501.00	130.85
Mean	85069.28	383471.23	
CGR (%)	16.33	13.46	
t cal	9.25*	6.87 ^{NS}	

Notes: NS- Not significant, * Indicates significant at 5 per cent level

Sources:

- i. Relevant issues of Syndicate Bank, **Annual Credit Plan**, S.P.S.R. Nellore district,
- ii. Relevant issues of Andhra Bank, **Annual Credit Plan of AP**, Hyderabad.

It may be on account of refinancing from apex institutions or borrowings from government or governmental organizations or transfer of funds from other agencies in the country.

6 Targets and achievements

To present a clear picture of performance of commercial banks in priority sector, a comparative picture of targets and actual is shown in the Table 7. It can be observed from the Table that the actual surpassed the target during 2009 and 2011 while it could not be reached in 2010 and 2012. The percentage of achievement in the target was 111.05 per cent, 102.10 per cent, 99.45 per cent and 90.76 per cent during 2009, 2011, 2012 and 2010 respectively.

Table 7: Achievement of Commercial Banks in Priority Sector in S.P.S.R. Nellore district during 2009-12 (Rs. lakhs)

Year	Target	Actual	Level of achievement (%)
2009	59075.41	65600.89	111.05
2010	69300.47	62898.00	90.76
2011	78982.73	80639.63	102.10
2012	101706.60	101151.00	99.45

Source: Syndicate Bank, **Annual Credit Plan**, 2008-12, S.P.S.R. Nellore district, Nellore, PP. 45 and 58.

7. Overdues

The percentage of recovery to demand was 70 in 2004 while it was 74 in 2011. (see Table 7) In the mean time, there are wide fluctuations. It was the lowest, 60 per cent in 2010. The recovery to demand presents a sad picture about the performance of commercial banks in the district. A wide range of factors influence the level of overdues of institutions involved in agricultural credit. Defaulters commonly attribute the causes for overdues to adverse weather condition; lack of forward/backward linkages and infrastructure facilities and services which support agricul-

ture. Socio political environment in which the credit institutions function, legal aspects and government support also contribute to it. The other causes of overdues which are internal to credit institutions themselves are inadequate supervision; over credit; unsound lending policies and procedures and inefficient management. Overdues are often the result of a combination of the aforesaid factors. There is an urgent need to

Table 8: Recovery performance of Commercial banks in S.P.S. Nellore district during 2002-13 (Rs. lakhs)

Years	Demand	Recovery	% of recovery to demand
2004	31904	22386.00	70
2005	55811.8	36616.38	66
2006	48520.60	32994.00	68
2007	69240.35	47775.84	69
2008	NA	NA	NA
2009	NA	NA	NA
2010	30572.604	18343.562	60
2011	31183.124	22929.452	74
2012	NA	NA	NA
2013	NA	NA	

Note: NA- Not available

Source: Relevant issues of Syndicate Bank, **Annual Credit Plan**, S.P.S.R. Nellore district, Nellore.

initiate and implement stringent measures to increase the tempo of collection to demand. Otherwise, re-cycling of funds would further deteriorate in the years to come. Finally, the needy farmers may fail to obtain in time the required funds fairly, and adequately.

Conclusions

It can be said that there is an impressive growth in deposits of commercial bank in the district. It may be said that the total and per branch advances disbursed by commercial banks have considerably shot up. It may be summed up that the advances of commercial banks to agriculture, priority sector and the total advances have recorded a significant growth. But the proportion of advances to agriculture and priority sectors has exhibited a noticeable variation during the period. It may be concluded that the advances towards weaker sections has registered a significant progress during the period. But, it has not reached the pace as prescribed by the RBI. There is a mixed growing trend. There is a need to increase the advances of commercial banks to weaker sections of the society by paying attention to it in the years to come. It may be inferred that these banks could not reach the prescribed percentage towards DRI scheme for the reasons best known to the bankers. There may not be eligible borrowers in the respective years or they have not approached the bank or the bankers might not have sanctioned the loans for reasons best known to them. In the years to come the commercial banks in the district should pay attention to extending loans as per the stipulated guide lines in respect of DRI scheme. The RBI norm with regard to CDR was over fulfilled in all the years without any exception. It may be summed up that there is a variation in the performance of commercial banks in terms of target and actual advances to priority sector. These banks have over fulfilled the targets in two years while under performed in another two years. It may be summed up that the recovery performance is unsatisfactory.

REFERENCE

- i. Relevant issues of Syndicate Bank, Annual Action Plan, S.P.S.R. Nellore district, Nellore. | ii. Relevant issues of Andhra Bank, Annual Credit Plan of AP, Hyderabad. | iii. Relevant issues of Government of Andhra Pradesh, Statistical Abstracts of AP, Hyderabad. |