

## **A study of Agricultural credit by Commercial Banks in India: A case study of Canara Bank**

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### **ABSTRACT**

*Agricultural credit possesses its usefulness to the farmers, lenders and extension workers. It is an important prerequisite for agricultural growth. It is considered as one of the most basic inputs for conducting all agricultural development programmes. Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. The economic principles of farm financial management facilitate in obtaining control over capital and its efficient use. The investment analysis pertaining to income, repayment capacity and risk bearing ability determine the amount of capital a farm business can profitably and safely use. Hence, the farmer can determine his credit worthiness and can put forth his loan application with confidence to lender. The present study is an attempt to analyze the agriculture credit by commercial banks. This study is based on secondary data. The analysis was made by the application of trend analysis. Major finding of the study is that agriculture credit by Canara Bank has increased to reach the target which given by RBI.*

**Keywords:** Agriculture Credit, Commercial Bank, Financial Management.

### **INTRODUCTION:**

Agriculture in India is one of the most important sector of its economy. Agriculture is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India. It provides employment to nearly 61% persons of total population and it contributes 25% to national income. Agriculture credit provide exposure to the extension worker about the structure and functioning of lending institutions which in turn helps him to guide the borrower to choose the cheap lender in acquisition of credit. Besides, he can also advise on most efficient use of credit, i.e. to maximize the returns to limited capital resources. Moreover, with growing modernization of agriculture during post-green revolution period the requirement of agricultural credit has increased further in recent years. The institutional credit system is critical for agricultural development and its role has further increased in the liberalized economic environment. In India a multi-agency approach comprising co-operative banks, scheduled commercial banks and regional rural banks (RRBs) has been followed to allow credit to agricultural sector.

### **REVIEW OF LITERATURE:**

Anjani Kumar, K.M Singh, Shradhajali Sinha, 2010 [1] examined the performance of agricultural credit flow and has identified the determinants of increased use of institutional credit at the farm household level in India. The structure of credit outlets has witnessed a significant change and commercial banks have emerged as the major source of institutional credit in recent years. But, the declining share of investment credit in the total credit may constrain the sustainable agricultural growth. The quantum of institutional credit availed by the

farming households is affected by a number of socio-demographic factors which include education, farm size, family size, caste, gender etc.

Kannan, E 2011 [2] examined the disbursement of credit through institutional sources had a large impact on improving agricultural productivity. However, it points at its inadequacy and thereby urges for widening its coverage both in terms of the amount of credit and the coverage of more number of marginal and small farmers.

R. Govindasamy 2013 [3], the financial institutions is effective channels of credit for farm sector, non-farm sector and other priority sector credit institutions have played a significant role in the development of rural and urban areas.

Seena P.C. 2015 [4] this paper describes the management of agricultural credit in India and the impact of various banking sector reforms on agriculture. Banking sector reforms like fixing prudential norms, reduced SLR, CRR, banking diversification all affect the Indian agricultural sector.

### **OBJECTIVES OF THE STUDY:**

1. To understand the concept of Agricultural credit.
2. To examining the volume and trend of agricultural credit by selected bank.
3. To analyze the disbursement of agricultural credit by the commercial banks and know about that bank should achieve target or not.

### **RESEARCH METHODOLOGY:**

#### **Population of the Study:**

In context of India, 93 commercial banks are in operation. These 93 commercial banks are regard as population. But, it is not possible to study all commercial banks.

#### **Sample Size:**

Our commercial bank has been taken as sample from the whole population i.e. 93 commercial banks. The sample of the study is Canara bank.

#### **Sampling Procedure:**

The selection procedure of the sample is not random. Canara Bank is selected for the study on the basis of convenient sampling method and non-probability sampling method.

#### **Source of Data:**

This study mainly depends on the use of secondary data that consists of annual report of the concerned bank. However besides the annual reports various other sources of data have also been used for the study i.e. newspaper, magazine, Economic journals and RBI reports NABARD report etc.

#### **Period of the Study:**

The researcher has undertaken the study for 5 years i.e. 2015-16 to 2016-17.

### **RESULT AND DISCUSSION:**

Calculation of Total Priority Analysis and Total Agriculture Advances (Amount in crore)

Priority Sector Advances	As at March		Growth	
	2016	2017	Amount	%
Total Priority Sector	145558	160269	14711	10.11%
Agriculture	67176	74079	6903	10.28%

**Source :** Annual report of Canara Bank

The above table represents the total priority sector and total agriculture advances by Canara Bank for the period 2015-2016 and 2016-17. A direct agriculture advance by bank was increased year by year during the study period. It shows a thrust on Priority sector which is a healthy trend for the region. The bank is showing satisfactory performance as it is able to reach more than 85% of the target set for Agricultural advances almost every year. It reflects upon the bank's efforts towards aggressive lending.

### **LIMITATIONS OF THE STUDY:**

- This study is mainly based on secondary data, taken from the published annual reports, website etc.
- It has covered only one commercial bank for the study so it may not generalize to whole population.

- The study is confined to the agricultural finance only.
- Personal view differs from one person to other.

#### **CONCLUSION:**

The study reveals that the bank credit in India to agriculture sector has been increased during the study period. The credit provided by the bank has increased its advances. But an effort has to be taken by bank to reduce its outstanding, so that the recovered bank credit should be pumped into agriculture sector for its growth.

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