

Role of Annual Action Plan In Agriculture Credit- A Study Of Fatehgarh Sahib District

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ABSTRACT

Agriculture plays an important role in the economic development of a country. In India, the agriculture sector including allied activities accounted for 13.7 per cent of GDP in the year 2010-13 (NABARD, 2013). The agriculture finance has become very important for the consistent growth of the sector. The Annual Action Plans cover only the priority sectors and are grouped into three sectors: Agriculture, Small Scale Industries and Tertiary sectors. Tertiary sector includes all the items in the priority sectors other than agriculture and Small Scale Industries. The Annual Action Plan exercise is helpful in ensuring proper allocation of credit to different sectors according to plan priorities. The district credit plan needs to be flexible as to accommodate the local needs of the different sectors in the district. The annual action plans are formulated year-wise on the basis of the results after the completion of the previous years. In this paper, an attempt has been made to study the bank group-wise analysis of outstanding advances and loans disbursed under annual action plan in the Fatehgarh Sahib district. The study found that the growth rate of public sector banks was relatively lower as compared to private sector banks during the period of study.

Keywords: Agriculture, Credit, AAP.

INTRODUCTION:

Lead Bank Scheme was a unique model envisaged for rural development of the rural areas of our country. It was in the year 1967 when social control over banks was introduced and that was followed by nationalization of commercial banks in the year 1969. One of the important changes ushered in immediately after nationalization was the expansion of the branch network in unbanked areas so as to bridge the spatial gaps. The Lead Bank Scheme was formulated by the RBI in the year 1969. Under this scheme, the bank aid was provided through various programmes to be designed specifically for the particular areas and the district was taken as a unit under the scheme. It also provided with the specific organizational framework so as to ensure the execution of the scheme by participation of the different agencies.

The Scheme is in operation in almost all the 611 districts in the country. According to Reserve Bank of India report, the main purpose of the Lead Bank Scheme is to coordinate the banking service in an area, treating the district as one unit. The Lead Bank Scheme

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envisage economic development of the area by increasing the resources, implementation of the approved schemes, especially schemes giving stress on lending to the priority sector and the weaker section of the society. The credit plans are prepared in consultation with various district development departments, through the joint efforts of the commercial and cooperative banks and the government financial institutions, etc. under the overall coordination of Lead Bank. To make the development schemes more meaningful, efforts are made to allocate branch-wise lending schemes, and action plans with a view to achieve the integrated economic development of a village in the district. State Bank of Patiala is the Lead Bank for Fatehgarh Sahib district.

Formulation of Annual Credit Plan is an important part of Lead Bank Scheme, which is in existence since 1969 for the last 42 years. The Lead Bank Scheme envisages preparation of Annual Credit Plans for the districts for dispensation of bank credit for various activities. The Annual Credit Plan envisages promotion of sustainable and equitable prosperity through institutional finance for farm sectors and non- farm sectors. The Annual Credit Plans were prepared on the basis of the Potential Linked Plan made by the National Bank for Agriculture and Rural Development, which is the apex bank for agriculture and rural development in the country, taking into account the potential available for development of various activities under agriculture and allied sectors, policy of Government of India, availability of inputs including credit, infrastructure and other requirements for achieving optimum results. NABARD has been preparing Potential Linked Credit Plan (PLP) for each district since 1989-90 with the objective to assess exploitable potential through credit dispensation under various sectors. The Potential Linked Plan details the sector/activity wise credit potential and deliberates on major financial and socio-economic developments in the districts in the last one year and priorities to be set out (District Credit Plan, 2014)

The Annual Action Plans cover only the priority sectors and are grouped into three sectors: Agriculture, Small Scale Industries and Tertiary sectors. Tertiary sector includes all the items in the priority sectors other than agriculture and Small Scale Industries. The Annual Action Plan exercise is helpful in ensuring proper allocation of credit to different sectors according to plan priorities. The objective of Annual Action Plan formulated under the Lead Bank Scheme is to guide the credit institutions to deploy their credit in such a way that they will have the maximum impact on the development of the district. Thus, the annual action plans are important tools for adequate flow of agriculture finance in a particular district.

REVIEW OF LITERATURE:

Kanagasabai (2010) assessed the priority sector lending under lead bank scheme in the union territory of Pondicherry during the period 1971-72 to 1996-97. The data was taken from the primary and secondary sources and analyzed by using percentages, ratios, table analysis, simple regression and correlation techniques. The study found a relatively slow progress of advances to the priority sector. The CD ratio was also lower and the lower priority sector advances led to the slowdown in Pondicherry economy. The study revealed that the proportion of PSL (priority sector lending) in NSDP was 3.5 per cent in 1971-72, 2.8 per cent in 1990-91 and 1.8 per cent in 1996-97. It showed the priority sector lending as a proportion of net state domestic product was declining during the study period.

Kumar *et al.* (2010) in their study examined the agricultural credit flow in India. The study was based on secondary data. The study revealed that the institutional credit to

agriculture in real terms had increased during the last four decades of the study period. The study observed that the commercial banks had emerged as the major source of institutional credit during the study period. The study suggested simplification of the loan procedure for a greater access to agricultural credit by the small and less educated farmers.

Muley (2010) in his article discussed trends in agriculture finance by commercial and cooperative banks in the Jalua district in Maharashtra. The study found that the central cooperative banks and the commercial banks provided most of the crop loan, term loan and agricultural loan in the district during the study period.

Chhikara *et al.* (2012) studied the trends and composition of agricultural credit by commercial banks in Haryana during the period 2000-01 to 2008-09. The study observed as 52 per cent workers as to total workers were engaged in agriculture and allied activities in Haryana. It was found that agriculture and allied sector is vital for the economy of Haryana and they contributed 22.42 per cent in NSDP in 2008-09.

Silony (2012) evaluated the performance of commercial banks with regard to priority sector lending in State of Punjab over the period 1990-91 to 2007-08. The study found that public sector banks in Punjab showed faster growth in the case of other priority sector advances followed by agricultural advances and small scale industrial advances while in case of private sector banks agricultural advances grew at higher rate followed by other priority sector advances and small sector industrial advances. The share of agricultural advances to total advances of public sector banks fluctuated between 12 per cent and 15 per cent and that of private sector banks increased from 4.11 to 12.13 per cent. The study concluded that the private sector banks had increased share of agriculture credit during the period of study.

Kaur (2013), studied the institutional agricultural credit in Punjab during the period from 1980-81 to 2004-05. It was observed that the production credit and investment credit shown a tremendous growth over time. The study revealed a high degree of positive relationship between the time series data of short term credit and long term credit during the study period.

SCOPE OF THE STUDY:

The present study examines the growth and performance of commercial banks with regard to agricultural loans disbursed under Annual Action Plan in the Fatehgarh Sahib district of Punjab. The scope of the study consists of agriculture finance by all the commercial banks present in the Fatehgarh Sahib district of Punjab. The study covers the time period from 2002-03 to 2011-12.

OBJECTIVES OF THE STUDY:

- To undertake bank group- wise analysis of the agricultural outstanding credit by the commercial banks under the Annual Action Plan.
- To undertake bank group- wise analysis of the agricultural loans disbursed by the commercial banks under the Annual Action Plan.

RESEARCH METHODOLOGY:

The present study is based on secondary data. The data relating to agricultural outstanding credit and agricultural loans disbursed in district has been collected from the records of lead bank, State Bank of Patiala, Fatehgarh Sahib for the period from 2002-03 to 2011-12. To analyse the trends on year- to- year basis percentage growth rate over the base

year is calculated and to check the overall growth pattern of loans exponential growth rate is calculated. The coefficient of variation is calculated to see the variability in credit.

BANK GROUP- WISE ANALYSIS

The performance of the annual action plan in the district has been analysed bank group-wise in this section. To study the bank group- wise analysis of advances, two categories of commercial banks have been taken i.e. Public Sector Banks and Private Sector Banks.

a) Analysis of Total Advances:

Table 1.1 represents the growth of total advances of bank groups in the Fatehgarh Sahib district.

Table 1.1: Bank Group-wise advances in Fatehgarh Sahib District

Year	Public sector banks	% Change	Private Sector Banks	% Change	(Amount in lac)
2002-03	43284.53 (94.55)	-	2498.93 (5.45)	-	45778.46
2003-04	42077.37 (95.51)	-0.94	2877.83 (6.49)	19.40	45655.00
2004-05	63757.30 (166.99)	46.70	1800.77 (3.01)	-33.50	65738.15
2005-06	81282.11 (195.35)	27.49	3419.34 (4.04)	72.68	84701.45
2006-07	105947.15 (196.37)	30.34	3992.18 (3.63)	16.75	109939.51
2007-08	138734.89 (166.93)	31.30	15709.83 (10.17)	293.52	154534.78
2008-09	162387.04 (191.75)	17.30	15742.58 (8.84)	0.21	178129.62
2009-10	195726.90 (193.29)	20.53	14139.53 (6.74)	-10.10	209866.43
2010-11	227072.64 (191.23)	16.32	21917.08 (8.00)	55.01	248989.72
2011-12	256418.82 (166.17)	13.80	34661.71 (11.83)	58.15	293080.53
Mean	131954.92 (91.85)		11703.40 (8.15)		143658.33
C.V.	58.58		92.44		60.32
E.G.R.	24.16		38.25		25.18

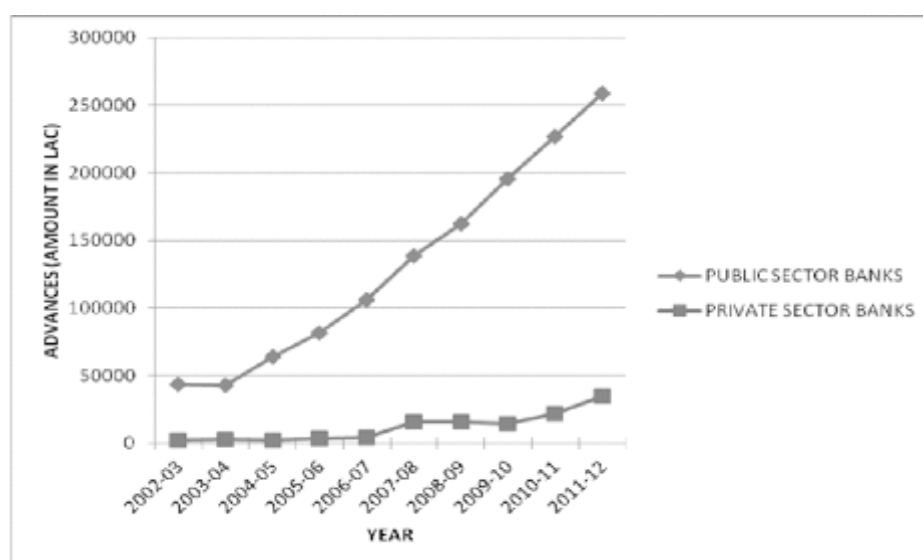
Note: Figures in parentheses are percentage of total loans.

The table indicates that the total advances of bank groups increased continuously from Rs. 45778.46 lac in 2002-03 to Rs. 293080.33 lac in 2011-12 and registered an exponential growth rate of 25.08 per cent during the study period. The growth rate was higher in private sector banks (38.25 %), whereas these banks recorded lower average loan disbursement (Rs. 11703.40 lac). The growth rate of public sector banks was relatively lower as to 24.16 per cent during the study period. On the other hand, these banks experienced relatively higher average loan disbursement Rs. 131954.92 lac. The co-efficient of variations in loan disbursement were higher in private sector banks (CV=92.44) as compared to that of the public sector banks (CV=58.58) during the same period.

The research further reveals that total loans disbursed by public sector banks increased from Rs. 43284.53 lac in 2002-03 to Rs. 258418.62 lac in 2011-2012. The total loans disbursed by private sector banks increased from Rs. 1365.86 lac in 2002-2003 to Rs. 21163.92 lac in 2011-2012.

Thus, the public sector banks forms a very high majority part of the total advances disbursed by commercial banks. Further, the analysis reveals that the share of public sector banks in total loans disbursed by bank groups decreased and the share of private sector banks increased. The average share of public sector banks was relatively higher (91.85 %) as that of the private sector banks (8.15 %) during the study period.

The analysis of **Bank Group-wise advances in Fatehgarh Sahib District has been shown diagrammatically in figure 5.1.**



B) Analysis of Agricultural Advances:

Table 1.2 represents the bank group-wise agricultural advances in the Fatehgarh Sahib district.

Table 1.2: Bank Group-Wise Agricultural Advances in Fatehgarh Sahib District

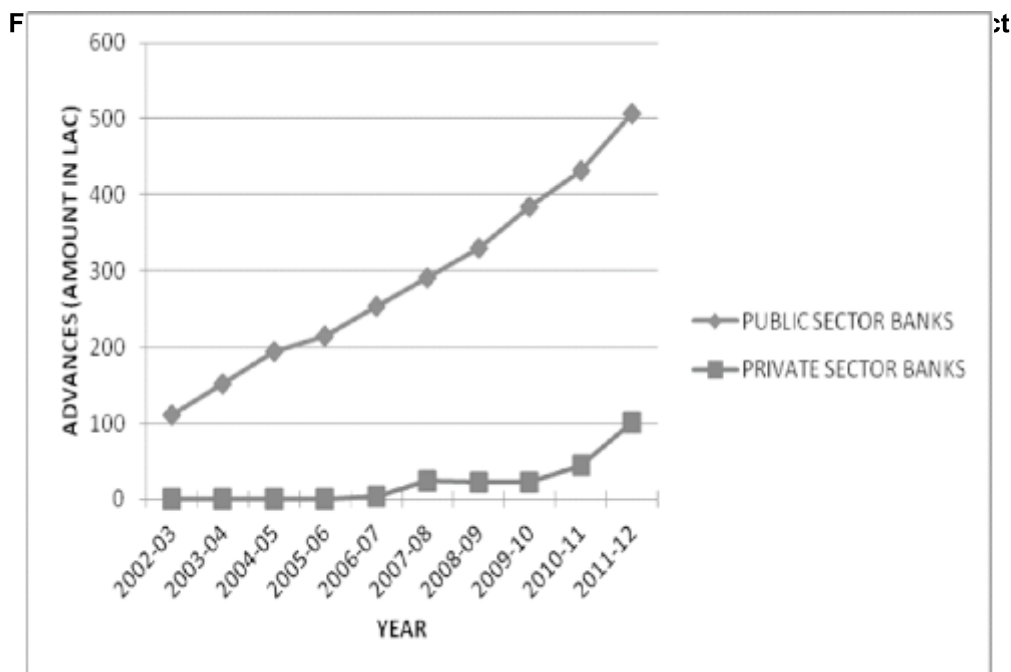
Year	Public Sector Banks	% Change	Private Sector Banks	% Change (Amount in lac)	Amount in lac
2002-03	11136.33(99.84)	-	17.42(0.16)	-	11153.75
2003-04	15210.00(99.82)	36.58	27.49(0.18)	57.81	15237.49
2004-05	19355.93(99.69)	27.26	59.93(0.31)	118.01	19415.86
2005-06	21372.65(99.48)	10.42	111.90(0.52)	86.72	21484.55
2006-07	25391.26(98.37)	18.80	420.79(1.63)	276.04	25812.05
2007-08	29072.07(97.52)	14.50	2350.46(7.48)	458.58	31422.53
2008-09	32989.02(93.41)	13.47	2328.63(6.59)	-0.93	35317.65
2009-10	38527.44(94.58)	16.79	2208.60(5.42)	-5.15	40736.04
2010-11	43250.40(90.54)	12.26	4518.83(9.46)	104.60	47769.23
2011-12	50718.66(83.47)	17.27	10042.53(16.53)	122.24	60761.19
Mean	28702.38(92.85)		2208.66(7.15)		30911.03
C.V.	41.28		141.99		50.29
E.G.R.	16.95		109.2		18.96

Note: Figures in parentheses are percentage of total advances.

The table exhibits that total agricultural advances of bank groups increased continuously and steadily from Rs.11153.75 lac in 2002-03 to Rs.60761.19 lac in 2011-12 and the average level was Rs. 30911.03 lac during the period. The total agricultural advances registered a growth rate of 18.96 per cent during the study period.

Thus, the share of private sector banks in total advances increased and the share of public sector banks decreased during the same period. Further, the average level of public sector banks was higher (Rs. 28702.38 lac) as compared to that of the private sector banks (Rs. 2208.66 lac). The analysis revealed that the average share of public sector banks was higher (92.85 %) as compared to that of the private sector banks (7.15 %). The public sector banks forms a very high majority part of the total advances. However, the growth rate of public sector banks was relatively lower (16.95 %) as compared to private sector banks (109.20 %) during the period of study.

The analysis of **bank group-wise agricultural advances in Fatehgarh Sahib district** has also been shown diagrammatically in figure 5.2.



c) Analysis of Total LoanPs Disbursed:

Table 1.3 represents the growth of total loan disbursement by bank groups in the Fatehgarh Sahib district.

The table indicates that the total loans disbursed by bank groups increased continuously from Rs. 22009.17 lac in 2002-03 to Rs. 155118.01 lac in 2011-12 and registered a growth rate of 28.36 per cent during the study period. The growth rate was higher in private sector banks (56.05 %) as compared to that of the public sector banks (26.97 %), The degree of variations in loan disbursement was relatively higher in private

sector banks (CV=102.74) as compared to that of the public sector banks (60.17).

Table 1.3: Bank Group-Wise Total Loans in Fatehgarh Sahib District
 (Amount in lac)

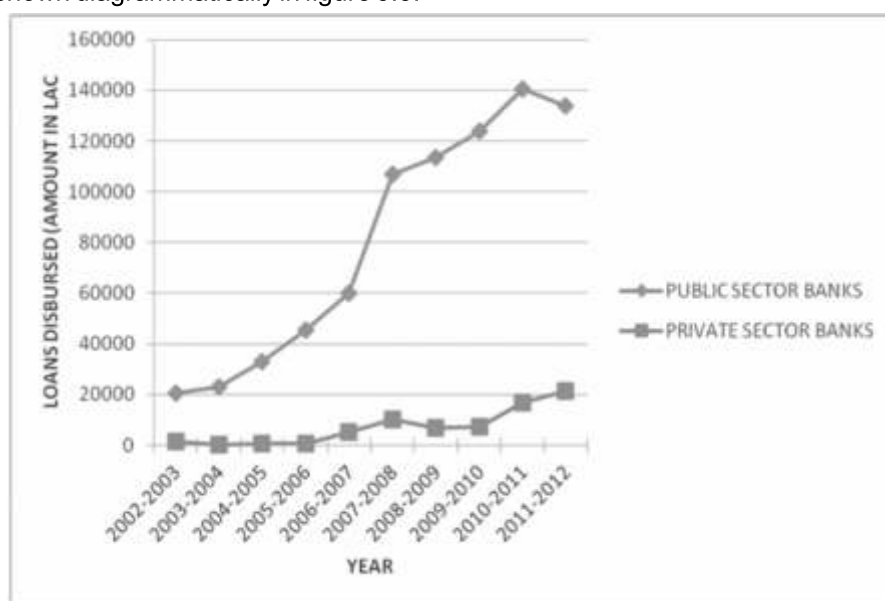
Year	Public Sector Banks	Percentage Change	Private Sector Banks	Percentage Change	Total
2002-03	20643.31 (93.79)	-	1365.86 (6.21)	-	22009.17
2003-04	23229.13 (98.51)	12.53	347.01 (1.47)	-74.59	23579.44
2004-05	32839.61 (98.55)	41.37	483.78 (1.45)	39.41	33323.39
2005-06	45361.43 (98.66)	38.13	616.12 (1.34)	27.36	45977.80
2006-07	60181.76 (92.05)	32.67	5099.59 (7.80)	727.69	65381.41
2007-08	106721.53 (91.43)	77.33	10006.21 (8.57)	96.22	116727.49
2008-09	113644.83 (94.26)	6.49	6926.22 (5.74)	-30.78	120571.05
2009-10	124027.87 (94.34)	9.14	7443.97 (5.66)	7.48	131471.84
2010-11	140558.57 (89.31)	13.33	16817.50 (10.69)	125.92	157376.07
2011-12	133954.09 (86.36)	-4.70	21163.92 (13.64)	25.84	155118.01
Mean	80116.21 (91.93)		7027.02 (8.07)		87153.57
C.V.	60.19		102.74		62.68
E.G.R.	26.97		56.05		28.36

Note: Figures in parentheses are percentage of total loans.

The research further reveals that total loans disbursed by public sector banks increased continuously from Rs. 20643.31 lac in 2002-03 to Rs. 133954.09 lac in 2011-12. The share of public sector banks in total loans disbursed by bank groups decreased from 93.79 per cent in 2002-03 to 86.36 per cent in 2011-12 and the table indicates that public sector banks account for the major share in total loans. The total loans disbursed by private sector banks increased from Rs. 1365.86 lac in 2002-03 to Rs. 21163.92 lac in 2011-12. The share of private sector banks in total loans disbursed by bank groups also increased from 6.21 per cent in 2002-03 to 13.64 per cent in the year 2011-12.

Thus, the share of private sector banks in total loans increased and the share of public sector banks decreased during the same period. Further, the average level of public sector banks was higher (Rs. 80116.21 lac) as compared to that of the private sector banks (Rs. 7027.02 lac). The analysis revealed that the average share of public sector banks was higher (91.93%) as compared to that of the private sector banks (8.07 %).

The analysis of **bank groups-wise total loans in Fatehgarh Sahib district** has also been shown diagrammatically in figure 5.3.



D) Analysis of Agricultural Loans Disbursed:

Table 1.4 represents the growth of agricultural loan disbursement by bank groups in the Fatehgarh Sahib district.

Table 1.4: Bank Group-Wise Agricultural Loans in Fatehgarh Sahib District

Year	Public Sector Banks	Percentage Change	Private Sector Banks	Percentage Change	Total (Amount in lac)
2002-03	10446.06 (100.00)	-	0.00 (0.00)	-	10446.06
2003-04	12608.16 (99.96)	20.70	4.50 (0.04)	450.00	12612.66
2004-05	17950.46 (100.00)	42.37	0.00 (0.00)	-100.00	17950.46
2005-06	24050.09 (99.63)	33.98	89.23 (0.37)	-	24139.32
2006-07	27569.28 (99.03)	14.63	270.09 (0.97)	202.69	27839.37
2007-08	33958.07 (94.48)	23.17	1983.01 (5.52)	634.20	35941.08
2008-09	37285.18 (98.16)	9.80	697.83 (1.84)	-64.81	37983.01
2009-10	38258.97 (97.56)	2.61	954.98 (2.44)	36.85	39213.95
2010-11	48889.37 (92.99)	27.79	3683.16 (7.01)	285.68	52572.53
2011-12	56564.43 (85.86)	15.70	9313.75 (14.14)	152.87	65878.18
Mean	30758.01		1699.66		32457.66
C.V.	49.25		171.91		54.24
E.G.R.	19.94		-		21.47

Note: Figures in parentheses are percentage of total agricultural loans.

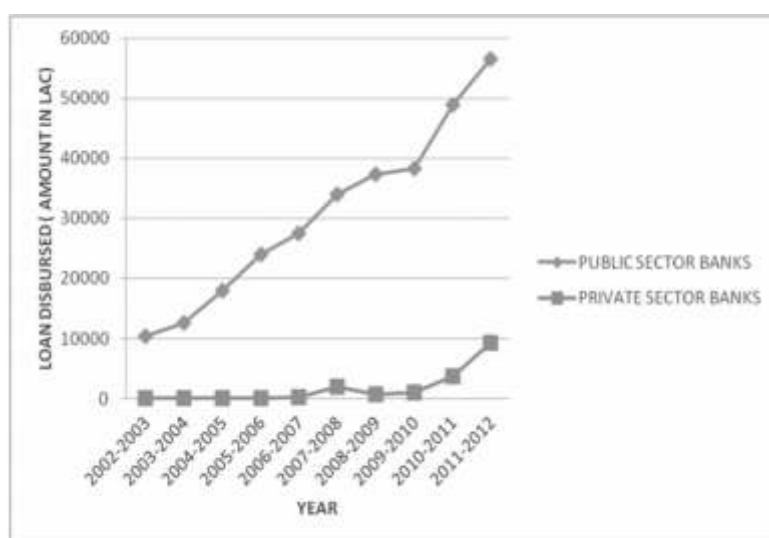
The table exhibits that total agricultural loan disbursed by bank groups increased continuously and steadily from Rs. 10446.06 lac in 2002-03 to Rs. 65878.18 lac in 2011-12 with an average of Rs. 32457.66 lac. The total agricultural loan registered highest annual growth rate of 42.32 per cent in the year 2004-05. The agricultural loans registered a growth rate of 21.47 per cent during the study period. The table indicates that among two categories of banks, public sector banks account for the major share in total agricultural loans in the Fatehgarh Sahib district. The share of public sector banks in total agricultural loan disbursed by bank groups decreased from 100.00 per cent in 2002-03 to 85.86 per cent in 2011-12, while the share of private sector banks increased from 0.00 per cent in 2002-03 to 14.14 per cent in 2011-12 and highest annual growth rate of 634.20 per cent recorded by

private sector banks in the year 2007-08.

Thus, the growth rate of public sector banks was 19.94 per cent during the study period, while the private sector banks could not depict definite growth rate due to fluctuations during the study period. The average level of public sector banks was relatively higher (Rs. 30758.01 lac) as compared to that of the private sector banks (Rs. 1699.66 lac). The degree of variations in loan disbursement was higher in private sector banks (CV=171.91), whereas the degree of variations was lowest in public sector banks (CV=49.25).

The analysis of **bank groups-wise agricultural loans in Fatehgarh Sahib district** has also been shown diagrammatically in figure 5.4.

Figure 1.4: Bank Group-Wise Agricultural Loans in Fatehgarh Sahib District



CONCLUSION:

The study revealed that public sector banks forms a very high majority part of the total advances. The average share of public sector banks was higher as compared to that of the private sector banks. The growth rate of public sector banks was relatively lower as compared to private sector banks during the period of study.

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