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INSTITUTIONAL CREDIT AND AGRICULTURAL DEVELOPMENT

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ABSTRACT

The financial Institutions as 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 in Tamil Nadu. The credit agencies for Tamil Nadu are the aggregation of the exploitable credit potential for all the districts in the State for the years 2007-08 to 2010-11. The Ground Level Credit under crop loans increased from 16,067 crore (2007-08), to 17,436 crore during 2008-09 and it has further increased to 21,501.74 crore in 2009-10, registering an increase of 23 per cent over that of the previous year. The amount of credit non-farm sector was increased in over the period in all financial institutions.

KEYWORDS

Agriculture, Institutions.

INTRODUCTION

Agriculture is the backbone of the Tamil Nadu economy as it supports more than 50 per cent of the population. The co-operative movement in India, particularly in Tamil Nadu, has taken deep roots in various sectors and is making a significant contribution towards economic development and social progress of the people. The cooperative sector is mainly concerned with agricultural credit, marketing of agricultural produce and distribution of fertilizers and pesticides and other essential commodities. The credit agencies for Tamil Nadu are the aggregation of the exploitable credit potential for all the districts in the State for the years 2007-08 to 2010-11. The financial Institutions as 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 in Tamil Nadu. The District Central Cooperative Banks, Urban Cooperative Banks and Primary Agricultural Cooperative Banks have oriented their lending policies so as to issue maximum loans for production purposes under nonfarm sector. They also promote credit facilities for undertaking Small Scale and Tiny Industries and also SRTD (Small Road Transport Operators) loans. The Cooperative Banks have also been extending loans for higher groups to professionals like doctors and engineers for clinic and service centers etc. Other priority sector with the phenomenal increase in the operation of agricultural and industrial activities in the State, many of the service sector activities, viz., servicing of agricultural implements, irrigation pump sets, servicing of electrical and electronic goods, photo studios, internet browsing centers, BOP, etc. have good scope. The Paper deals with, Banking Profile, Policy Initiatives and Credit Innovations of NABARD, besides estimated potentials for Farm Sector, Non-Farm Sector and Other Priority Sector.

OBJECTIVE

The broad objective of the present study is to analyse the agencies wise and sub sector wise ground level credit for farm sector, non farm sector and other priority sector to the credit institutions viz, Commercial Banks, Cooperative Banks, Regional Rural Banks and Others.

METHODOLOGY

The based on secondary data collected from NABARD statistical hand book of 2010. The period of the study covers 2007-08 to 2010-11. Annual compound growth rate has been applied to see the performance of disbursement of sector wise ground level credit.

BANKING PROFILE**1. BANKING NETWORK AND COVERAGE**

The State has a wide network of bank branches, with 6371 branches of Commercial Banks (including nationalized banks, private sector banks and foreign banks), SCB, DCCBs, SCARDBs, and RRBs. Besides, there are 129 non scheduled Urban Cooperative Banks functioning in the State. The average per branch population works out to 9794. While the per capita deposit was Rs.0.329 lakh and the per capita credit was Rs.0.387 lakh for the State. The total deposits were Rs.205271.14 crore as at the end of March 2008, showing an incremental growth of 24% during the year 2007-08. The total advances were Rs.241556.44 crore (March 2008), an increase of 30%. The Credit Deposit ratio was 117% as at end of March 2008.

STATUS OF CO-OPERATIVE CREDIT STRUCTURE IN TAMIL NADU**SHORT TERM COOPERATIVE CREDIT STRUCTURE (STCCS)**

The STCCS in Tamil Nadu has a three-tier structure comprising of the Tamil Nadu State Apex Co-operative Bank (TNSCB) with 46 branches at the State level, 24 District Central Co-operative Banks (inclusive of one Industrial Co-operative Bank viz. *TAICO Bank*) with 761 branches at the district level and 4495 Primary Agricultural Credit Societies at the grassroots level, catering to the needs of 9663318 farmers in 16317 villages, as on 31 March 2008.

TAMIL NADU STATE APEX CO-OPERATIVE BANK LTD (TNSACB)

The area of operation of the TNSACB covers the entire State of Tamil Nadu. The bank, presently, has 46 branches including the HO branch, mainly located in different parts of Chennai and its suburbs. The TNSACB is a consistently profit making bank and has been regularly declaring dividend. During the year 2007-08 the recovery level has increased to 99.8 per cent from 92.6 per cent (2006-07). Consequently, NPAs as a percentage of loans and advances has decreased significantly from 8.10 per cent in 2006-07 to 2.39 per cent in 2007-08.

DISTRICT CENTRAL CO-OPERATIVE BANKS

The State has 23 DCCBs (excluding *TAICO Bank*) comprising the second tier in the Short Term Credit Structure. The deposits of all the DCCBs at Rs. 8890.30 crore 5 (unaudited) as at the end of March 2008, recorded a growth of 21.79 per cent during the year. The loans outstanding of all the DCCBs as at the end of March 2008, were to the tune of Rs. 10854.94 crore (unaudited). Though the recovery performance registered an increase of 12.19 per cent over the previous year, the NPAs at 21.55 per cent and accumulated losses of some DCCBs is a cause of concern.

PRIMARY AGRICULTURAL CREDIT SOCIETIES

As on 31 March 2008, there are 4495 PACS with membership of 96.63 lakh and borrowing membership of 46.24 lakh. Loans issued amounted to Rs. 5600.46 crore as on that date and loans overdue were to the tune of Rs. 602.69 crore.

LONG TERM CREDIT STRUCTURE

The Long Term co-operative credit structure in Tamil Nadu is federal in character with the Tamil Nadu Cooperative State Agriculture and Rural Development Bank (TNSARDB) at the apex level and 180 Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the primary level.

TAMIL NADU STATE COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK (TNC SARDB)

The TNC SARDB has eighteen Regional Offices, spread over various districts in the State. The performance of the LT structures was almost standstill as no loans were issued except for jewel loans during the year. Further, the recovery position as on 31 March 2007 stood at 7.4% at TNC SARDB level and 9% at PCARDB levels. The NPAs of the bank as on 31 March 2006 formed as high as 93%.

PRIMARY CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS (PCARDBs)

PCARDBs constitute the ground level agencies in the federal Long Term Credit structure in the State. There are 180 PCARDBs in Tamil Nadu established at taluk/block levels. As brought out in the earlier paragraph, the performance of these banks has also been severely affected.

STATUS OF REGIONAL RURAL BANKS IN TAMIL NADU

Two RRBs are functioning in Tamil Nadu viz., Pallavan Grama Bank (sponsored by Indian Bank) and the Pandyan Grama Bank (sponsored by Indian Overseas Bank). The performance of the RRBs was encouraging and they were in profit as on 31 March 2008. The total number of branches was 251 as on 31 March 2008, of which Pandyan Grama Bank accounts for 185.

STATUS OF AGRICULTURE

The Gross Cropped Area has decreased from 60.32 lakh ha in 2005-06 to 58.43 lakh ha in 2006-07. Cropping intensity came down from 115 per cent in 2005-06 to 114 per cent in 2006-07. The major crops grown in Tamil Nadu are paddy, maize, millets, pulses, oilseeds and sugarcane.

GROUND LEVEL CREDIT (GLC)

The Ground Level Credit under crop loans increased from 16,067 crore (2007-08), to 17,436 crore during 2008-09 and it has further increased to 21,501.74 crore in 2009-10, registering an increase of 23 per cent over that of the previous year. The Ground Level Credit (GLC) target for 2010-11 is fixed at 19,322.01 crore.

AREA, PRODUCTION & PRODUCTIVITY OF MAJOR CROPS

Of the total gross cropped area of 58.43 lakh ha., food crops accounted for 43.34 lakh ha and non food crops formed 15.09 lakh ha. Paddy, the major crop in the State, accounted for 33.1 per cent of the total cropped area in the State during 2006-07. Rice production in the State during 2006-07 was 66.11 lakh tonnes as against 52.09 lakh tonne in 2005-06 showing a remarkable increase of 26.9 per cent. Productivity of rice increased from 2541 kg/ha in 2005-06 to 3423 kg/ha in 2006-07. Productivity of millets was 985 kg per hectare, pulses was 541 kg per ha during 2006-07. The State has one of the highest productivity in sugarcane in the country at 123 cane tons per hectare during 2006-07.

CREDIT SUPPORT BY NABARD IN TAMIL NADU

NABARD continued to provide refinance support to cooperatives and RRBs for seasonal agricultural operations at concessional rates of 3.5 per cent for cooperatives and 4.5 per cent for RRBs. Refinance of Rs.536.32 crore was extended during 2007-08 to cooperatives and RRBs.

The Government of India increased interest subvention to all banks from 2 per cent to 3 per cent on their own involvement during the year 2008-09, for extending crop loans up to Rs. 3.00 lakh per borrower at 7 per cent per annum.

RESULT AND DISCUSSION

Table 1 pointed out the issue of subsector wise ground level credit of the study banks viz, commercial banks, cooperative banks, regional rural banks and other banks. To study the amount of credit issued over the year annual compound growth rate of all the financial institutions point out a fluctuation over the periods that is in the base year i.e., in 2008-09 the compound growth rate was high 11569.42 per cent of farm sector. This has reduced to -88.45 per cent in 2009-10, and it's increased to the next year 2.81 per cent of the farm sector in all financing agencies. The credit amount for farm sector is growth rate was increased for 2008-09 to 2009-10 it's suddenly reduced the growth rate of year in 2010-11. The financial agencies are issued the credit for non farm sector. The amount of credit non-farm sector was increased in over the period in all financial institutions. The non farm sector highest growth rate is 80.53 per cent in 2010-11 to regional rural bank and its lowest growth rate is -0.02 per cent in 2009-10. Other priority sector highest growth rate was 183.75 per cent in 2009-10 and lowest growth rate is -3.06 per cent. When the researcher analyses the banks individually the increasing trend can be seen in the year 2007-08 to 2010-11 in all credit agencies for the three sectors wise.

TABLE 1: AGENCY WISE / SUBSECTOR WISE GROUND LEVEL CREDITs (in crores)

Farm Sector										
Years	CBs	ACGR	CO-Ops	ACGR	RRBs	ACGR	Others	ACGR	Total	ACGR
2007-08	16078.60	-	1531.23	-	974.75	-	7.04	-	1859.62	-
2008-09	18309.73	13.88	1645.77	7.48	1028.38	5.50	24.06	241.76	217006.94	11569.42
2009-10	21512.77	17.49	2052.89	24.74	1388.85	35.05	99.72	314.46	25054.23	-88.45
2010-11	21967.08	2.11	2230.99	8.68	1497.50	7.82	63.54	-36.28	25759.11	2.81
Non-Farm Sector										
2007-08	7121.01	-	210.41	-	53.96	-	231.78	-	7617.16	-
2008-09	7651.95	7.46	295.77	40.57	64.67	19.85	248.59	7.25	8260.98	8.45
2009-10	8702.56	13.73	295.71	-0.02	67.02	3.63	371.79	49.56	9437.08	14.24
2010-11	10013.78	15.07	495.63	67.61	120.99	80.53	419.15	12.74	11049.55	17.09
Other Priority Sector										
2007-08	5650.90	-	901.42	-	397.88	-	123.91	-	7074.11	-
2008-09	6785.79	20.08	1165.46	29.29	548.75	37.92	90.40	-27.04	8590.40	21.43
2009-10	8074.29	18.99	1548.25	32.84	556.16	1.35	256.51	183.75	10435.21	21.48
2010-11	8925.33	10.54	1500.86	-3.06	357.12	-35.79	170.37	-33.58	10953.68	4.97

Source: NABARD statistical hand book of 2010.

CBs- Commercial Banks

Co-op- Co-Operative Banks

RRBs- Regional Rural Banks

ACGR- Annual Compound Growth Rate.

CONCLUSION

Thus the flows of subsector wise ground level credit from the banks have increasing during the period of 2006-07 to 2010-11 in farm and non farm sector. But the other priority sector highest amount credit disbursed in commercial banks and remaining banks are disbursed credits is very low, compare to farm and non farm sector.

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