

## SOURCES AND TRENDS OF AGRICULTURAL CREDIT IN RAJASTHAN

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### ABSTRACT

*Rural finance is a matter of credit concern in a developing economy like India where seventy percent of the population depends upon agriculture. Credit, as one of the critical non-land inputs, has two-dimensions from the viewpoint of its contribution to the augmentation of agricultural growth viz., availability of credit (the quantum) and the distribution in agriculture credit. The National Agricultural Policy not only envisages faster agricultural growth at four percent a year, but also its equitable spread across regions and classes of farmers. At the same time, some important provisions of the World Trade Organisation agreements have the potential of increasing India's share in world trade of agricultural commodities. All these translate into higher credit demand and acceleration in its growth, as well as cost-effective mechanisms for its delivery. The establishment of the Reserve Bank of India in 1935 reinforced the process of institutional development for agricultural credit. The Reserve Bank of India is perhaps the first central bank in the world to have taken interest in the matters related to agriculture and agricultural credit, and it continues to do so. Over the years, rural credit system has been suffering from a number of handicaps. Since the days of Rural Credit Survey Committee, India has come to a long way in its search for an appropriate rural banking set-up. Since then one committee after another has examined this problem. This paper examines the Sources and Trends of Agricultural Credit in Rajasthan. The analysis states that the credit delivery to the agriculture sector continues to be insufficient.*

**KEYWORDS:** Rural Finance, Agricultural Growth, Credit Demand, Agricultural Credit, Rural Credit.

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### Introduction

Rajasthan is an agrarian state where 65 percent of the population depends directly and indirectly on agriculture. It is the largest states of India. The large numbers of the agriculturist have small farms with low productivity. The production of the land is nearly sufficient to maintain their family with no savings. It occupies 34.27 million hectares' area. It is observed that, the large area occupied by Rajasthan state, although most of its parts remain unutilized. In the year, 2013-14, only 48.29 percent area was Net Cropped and the share of Gross Cropped Area was only 61.45 percent. This is due to lack of water and rain fed nature of agriculture. Huge part of the state is prone to drought. The average rainfall of the state is 530mm, which is unpredictable. As a result, drought occurs frequently in the state. Consequently, famines are recurrent and big amount is spent to save the life of the people and livestock. As a result, they do not have enough money to progress agriculture production. To raise agricultural production, farmers will have to borrow more and more money. Thus, credit has to be provided to farmers in adequate amount and at appropriate cost; so that they can increase the production and use better farm inputs like fertilizer, seeds, improved irrigation facilities, etc. The use of better facility of input would mean more demand for agricultural credit.

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### Sources of Agricultural Credit

The agricultural credit in India is channelized through two sources viz. Non-institutional sources and Institutional Sources.

#### Non-Institutional Sources (Traditional Sources)

The sole suppliers of credit to the agriculturist were traditional agents/ source. These agents are, the agricultural and professional moneylenders, landlords, relatives and friends, traders, and commission agents, etc. This source provides medium and long-term credit.

#### Institutional Sources

It is the institutional arrangement for agricultural credit. The basic objective of institutional source is to help the farmers to increase his productivity and maximize his income. Institutions also make difference between short-term credit and long-term credit requirement with low rate of interest and give loan according to their requirement. Institutional agencies, which provide credit to farmers, are- Co-operatives Banks, Land Development Bank, Commercial Bank, State Bank of India, Regional Rural Bank, Reserve Bank of India, NABARD and Government. The farmers need not only credit but also guidance in agricultural operations like use of seeds, fertilizers and pesticides, etc. Besides support in raising crop and maximizing their income, institutional credit is made accessible by co-operatives, commercial, regional rural banks and the government. The commercial bank including RRBs, grant both crop and investment loans for agriculture and allied activities. NABARD is the apex institution at the national level for agricultural credit, which provides refinance amenities to other financial agencies. RBI is providing financial support to NABARD and IDBI for agriculture and industries, and it is responsible for overall monetary policy in India.

#### Trends of Agricultural Credit in Rajasthan

The following description presents the total bank branches network in Rajasthan Viz. Commercial banks, RRBs and Co-operative banks which provide credit for agricultural activities. It also presents the performance of all agencies related with agricultural credit under annual credit plan.

#### Bank Branches in Rajasthan

Agriculture sector is financial support by Commercial banks, Regional Rural banks and Co-operative banks. Total bank branches network in the state were 6804 in the year 2014-15. In this, the share of Commercial banks was 4880; the share of Regional Rural Banks was 1316 and the share of Co-operative banks was 608 in the year 2014-15. While in the year 2006-07, total banks in the state were 3550. In this, the share of Commercial banks was 2051, the share of Regional Rural Banks was 999, and the share of Co-operative banks was 520. The total bank branches network in Rajasthan shown in the table: 1 as given below:

**Table 1: Total Bank Branches Network in Rajasthan**

Name	Commercial	RRBs	Co-Operative	Total
2006-07	2051	999	520	3550
2007-08	2668	1022	549	4239
2008-09	2861	1040	558	4459
2009-10	3042	1052	561	4655
2010-11	3340	1068	574	4982
2011-12	3650	1105	580	5335
2012-13	3994	1157	582	5733
2013-14	4444	1236	589	6269
2014-15	4880	1316	608	6804

\*Source: State Level Banker's Committee (SLBC), Various Issue, Rajasthan.

It is evident from the table 1 that the total number of branches of banks in Rajasthan is continuously increasing. The number of branches of all banks was 3550 in the year 2006-07 which just double to 6804 in the year 2014-15 and the growth of branches was highest in the financial year 2008-09.

#### Performance of All Banks in Priority sector of Rajasthan under Annual Credit Plan

With a view to ensuring the flow of credit to priority, sector of Rajasthan, increasingly substantially. Under the annual credit plan, the disbursement of credit in priority sector by Commercial banks, Regional Rural Banks and Co-operative banks performing better in every year. The table 2 show the performance of all banks in priority sector of Rajasthan under the annual credit plan, is given below:

**Table2: Performance of All Agencies in Priority Sector under Annual Credit Plan in Rajasthan**  
(Rupees in Crores)

Year	Target	Achievement	Achievement (%)
2008-09	20004	19470	97
2009-10	24507	26985	110
2010-11	29652	32229	109
2011-12	39359	39975	102
2012-13	49628	55448	112
2013-14	62790	69462	111
2014-15	78478	87313	111.26

\*Source: State Level Banker's Committee (SLBC), Various Issue, Rajasthan.

It is evident from the table 2, agency wise performance in priority sector of Rajasthan under annual credit has improved every year. The target of credit in priority sector of Rajasthan, by all agencies in the year 2008-09 was Rs. 20004 crores, and achievement was Rs. 19470 crores, which was less than the set target. On the other hand in the year 2014-15, the target of credit to priority sector was Rs. 78478 crores and achievement was Rs. 87313 crores. This trend shows the credit flow by all agencies in priority sector has increased progressively.

#### Performance of Commercial Banks in Priority Sector of Rajasthan under Annual Credit Plan

Commercial banks play an important role to provide credit to rural artisans. Under the annual credit plan performance of these banks, in priority sector has increased gradually. Table 3 indicates the performance of commercial banks in priority sector of Rajasthan, under the annual credit plan. As follows:

**Table 3: Performance of Commercial Banks in Priority Sector of Rajasthan**  
(Rupees in Crores)

Year	Target	Achievement	Achievement (%)
2008-09	11623	13372	115
2009-10	14712	18793	128
2010-11	17838	21125	118
2011-12	23650	25993	110
2012-13	30237	34180	113
2013-14	37770	45777	121
2014-15	46569	61717	132.53

Source: State Level Banker's Committee (SLBC), Various Issue, Rajasthan.

The table 3 shows the trend of credit flow in priority sector by commercial banks. In the year 2008-09, the credit target was Rs. 11623 crores while they achieved Rs. 13372 crores. On other hand, in the year 2014-15, the target of credit to priority sector by commercial banks was Rs. 46569 crores while achievement was Rs. 61717 crores, which is greater than the set target. This shows the achievement by commercial banks in priority sector of Rajasthan has risen continuously.

#### Performance of Co-operative Banks in Priority Sector of Rajasthan under the Annual Credit Plan

Credit flow by co-operative banks to priority sector of Rajasthan under the annual credit plan is given below in table 4 as follows:

**Table 4: Performance of Co-operative Banks in Priority Sector of Rajasthan**  
(Rupees in Crores)

Year	Target	Achievement	Achievement (%)
2008-09	5765	3226	56
2009-10	6245	4350	70
2010-11	7476	6352	85
2011-12	9554	7871	82
2012-13	11714	14049	120
2013-14	14768	16990	115
2014-15	19482	16060	82.43

\*Source: State Level Banker's Committee (SLBC), Various Issues, Rajasthan.

The table 4 shows that the performance of co-operative banks in priority sector of Rajasthan has increased continuously. The target set by co-operative banks in priority sector was Rs. 5765 crores in the year 2008-09 where as achievement was Rs. 3226 crores, which was less than the set target. On other hand, in the year 2014-15 the target set by the co-operative banks in priority sector was Rs.19482 crores

and achievement was Rs.16060 crores. This achievement was greater than the set target. This trend shows the flow of credit in priority sector has increased.

#### Performance of Regional Rural Banks in Priority Sector of Rajasthan under the Annual Credit Plan

The credit flow by regional rural banks in the total priority sector under the annual credit plan was low as compare to Commercial and Co-operative banks. Performance of Regional Rural Banks in priority sector of Rajasthan under annual credit plan is given as below in table 5:

**Table 5: Performance of Regional Rural Banks in Priority Sector of Rajasthan**

(Rupees in Crores)

Year	Target	Achievement	Achievement (%)
2008-09	2301	2688	117
2009-10	2939	3582	122
2010-11	3830	4569	119
2011-12	5599	5790	103
2012-13	7037	6937	99
2013-14	9141	6622	72
2014-15	11429	9536	83.44

\*Source: State Level Banker's Committee (SLBC), Various Issues, Rajasthan.

The table 5 shows that the flow of credit by regional rural banks in priority sector of Rajasthan has gone down in every year. The credit target in priority sector by RRBs in the year 2008-09 was Rs. 2301 crores and achievement was Rs. 2688 crores. On the other hand in the year 2014-15 the set target by RRBs was Rs. 11429 crores while achievement is only Rs. 9536 crores. This was less than the target. This shows the increasing trend in priority sector as compared to previous years.

#### Agencies-wise Outstanding Agricultural Credit in Rajasthan

The following descriptions present the agencies-wise outstanding Agricultural credit in Rajasthan Viz. All schedule commercial banks & Co-operative banks; those provide credit for agricultural activities. The table 6 shows the agencies wise outstanding agricultural credit in Rajasthan, as follows:

**Table 6: Agencies-wise Outstanding Agricultural Credit in Rajasthan**

(Rs. in Lakhs)

Year	All Schedule Commercial Bank	Co-operative Bank	Total
2005-06	704973.53	263795.75	968769.28
2006-07	936416.51	290238.77	1226655.28
2007-08	1290929.59	362751.60	1653681.19
2008-09	1599717.13	320550.58	1918267.71
2009-10	1811459.77	358747.62	2170207.39
2010-11	2137437.60	459067.17	2596504.77
2011-12	2684506.63	594687.95	3209194.58
2012-13	3316518.14	688117.65	4004635.79
2013-14	4123558.80	940631.30	5064190.10
2014-15	5081808.00	988828.18	6070636.10

\*Source: Basic Statistical returns, RBI publication

It is evident from the table 6 that the outstanding agricultural credit in the year 2005-06 was Rs. 968769.28 lakhs. In this the share of all schedule commercial banks was Rs. 704973.53 lakhs and Co-operative banks shares were Rs. 263795.75 lakhs. On the other hand in the year 2014-15, the total outstanding agricultural credit provided by all schedules commercial banks was Rs. 5081808 lakhs and Co-operative banks provide Rs. 988828.18 lakhs.

#### The Impact of Agricultural Credit on Agricultural Production in Rajasthan

Agriculture credit has provided to the farmers to increase their agriculture production. Production loan is specified for agriculture inputs consisting of seeds, fertilizers, plants protection measures, animal feeds & medicines, water charges, labour etc. Easy availability and access to credit resulted in rapid development of agriculture sector. It provides ability to the farmers and entrepreneurs to diversify agriculture sector by undertaking new investment or adopt new technology. The institutional agricultural credit has shown a considerable affirmative influence on agricultural production in Rajasthan. Many factors are responsible for agricultural development like good seeds, fertilizers, machines, pesticides, water availability and credit labour force etc. No doubt improved seeds and other inputs play main role in agricultural production and these can be directly influenced by the availability of agricultural credit.

Agricultural credit does not affect the agricultural output directly but it affect indirectly. Hence, the agricultural credit is very important factor in agriculture production because availability of credit removes financial constraints relating to cash inputs, secondly technical efficiency of farmers will increase and thirdly agriculture credit will increase resource allocation and profitability. Thus, credit plays an important role in enhancing the agricultural production or productivity in the developing country. Credit facilities are thus the integral part of the process of commercialization of the rural economy. It boosts the production of agriculture. The above table 7 shows the impact of agricultural credit on production:

**Table 7: The Impact of Agricultural Credit on Agricultural Production in Rajasthan**

Year	Outstanding Agricultural Credit (Rupees in Lakhs)	Production (In M.T.)
2005-06	968769.28	18789.277
2006-07	1226655.28	22394.248
2007-08	1653681.19	23391.524
2008-09	1918267.71	24762.488
2009-10	2170207.39	18654.543
2010-11	2596504.77	33675.91
2011-12	3209194.58	32153.101
2012-13	4004635.79	30497.914
2013-14	5064190.10	31779.348

It is evident from the table 7, which depicts that agriculture production increase according to the increment in agricultural credit during the period 2005-06 to 2013-14. The total production in Rajasthan in the year 2005-06 was 18789.277 million tonnes where as the agricultural credit was Rs. 988769.28 lakhs. On other hand, in the year 2013-14, the total production reached 31779.348 million tonnes. In this year, the agricultural credit given by all agencies was Rs. 5064190.10 lakhs. This trend shows that agriculture production increasing during the period same as agricultural credit given by all agencies in Rajasthan. To find out the impact of agricultural credit on agricultural production, correlation method has been used. The above table:8 shows the correlation between agricultural credit and agricultural production, as follows:

**Table 8: Co-relation between Agricultural Credits on Agricultural Production**

	Mean	Std. Deviation	R	R Square	Equation	Sig. F Change
Outstanding Agricultural Credit	2568011.79	1323884.13				
Production	26266.48	5838.92	.754	.569	$y = 0.003x + 17726$	.019

The above table 8 shows co-relation between agricultural credit and agricultural production. By using Pearson's correlation coefficient, we analyzed that A significant positive perfect correlation existed between the agricultural credit and Production level ( $r = 0.754$   $p = 0.019S$ ). The  $r^2 = 0.569$ , it means 56.9 % of the total variation in agricultural credit was explained by the linear relation with Production. The relationship between the variables in the groups was considered by using Pearson's correlation coefficient. Hence, Agricultural credit has positive and significant impact on agriculture output and its effect on agriculture sector show immediately. With the help of credit the farmers can purchase agriculture outputs like seeds, fertilizers, pesticides, machinery etc. Agricultural credit is still playing dynamic role in supporting agriculture production in Rajasthan.

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