

Performance of Financial Institutions in Supply of Farm Credit in Nayagarh District of Odisha

Surya Sidhant Rath* and Rajkishore Mishra

Department of Agricultural Economics

College of Agriculture, Orissa University of Agriculture and Technology, Bhubaneswar, Odisha-751003, India

*Corresponding Author E-mail: surya.rath005@gmail.com

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ABSTRACT

Farm credit is the vital financial support for the economic sustenance and social stabilization in the field of agriculture. The present study immensely facilitates to have a thorough understanding about sources of credit delivery mechanism for farm business. So far as agricultural credit is concerned in Odisha, the extent of crop loan has been maximum in case of paddy with a lion share by the cooperatives (~66 per cent). Issue of term loan has been a challenge for the bankers as the majority of the farmers are marginal farmers and they lack security. An attempt is herein made to study performance of financial institutions in supply of agricultural credit which was designed through a random sample survey of hundred credit availed farmers in the diverse agriculture terrains of Nayagarh district and analyzed by descriptive statistics. In the study area, it is seen that forty four per cent of respondents met their credit needs from cooperatives followed by thirty nine per cent from commercial banks and rest of the respondents from the RRBs. None of the sample respondents relied on informal sources, not even for their consumptive needs. It is felt that although the financial institutions have increased the quantum of their lending still the supply of farm credit does not match with the credit demand. The average amount of credit borrowed by a respondent from commercial banks was Rs 46693 while Rs 43939 from Cooperatives and only Rs 21910 from RRBs. To enhance the agricultural productivity, there should be composite credit system that would include both cash credit and term loans that would result in institutional support for capital formation in agriculture. Besides, there is a need to assess the performance of RRBs in credit lending.

Keywords: Cooperatives, Commercial banks, Credit demand, Crop loan, Farm credit, Productivity, RRBs

INTRODUCTION

Credit, as the vital financial support for the economic sustenance and social stabilization, is undoubtedly instrumental in pepping up the economic standard of the Indian farmers.

Agriculture sector being one of the prime sources of Indian economy needs to be addressed in the cannons of national economic parameter.

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The financial system harbours a prime role for a sustainable long term economic growth perspective for any country. As the economy grows and becomes more mosaic and market oriented, the financial sector becomes functional for economic growth by channeling domestic and foreign capital input into productive investments. Enhanced access to financial system is also a major concern for marketing growth from both economic and social perspectives. It, in better terms, is one of the industries in an economy and performs certain essential functions for the economy encapsulating maintenance of payment system, collection and allocation of savings of the society, creation of variety of spheres of wealth to cater to the performance of the savers. It is a link between the saving and investment by providing the mechanism through which savings of the savers are pooled and put into hands of those who are able and willing to invest by financial intermediaries. The role of the financial system is thus to promote savings and channelization in the economy through financial assets that are more productive than physical assets. Developing countries prioritized financial sector development and pep up their poverty reduction goals. By mobilizing savings, facilitating and promoting efficient allocation of resources, the financial sector is seen as housing a critical role in facilitating economic growth, directly through broadening access to finance and indirectly through growth contributing to poverty reduction. The banking segment in any country functions as a significant institution in the financial sector.

Down the years, the access of the farmers to institutional credit has significantly increased and the role of informal actors of credit delivery that is the money lenders has a sharp decline.

So far as agricultural credit is concerned in Odisha, the extent of crop loan has been maximum in case of paddy with a

lion share by the cooperatives (~66 per cent). Issue of term loan has been a challenge for the bankers as the majority of the farmers are marginal farmers and they lack security.

In this research, an investigation was made to study the performance of financial institutions in supply of farm credit in study area.

MATERIALS AND METHODS

Nayagarh district in the state of Odisha was purposively selected for the study. The sampling procedure followed here for the study was a multi staged random sampling method. On the first stage, Nayagarh block was randomly selected.

On the second stage out of the twenty nine gram panchayats in Nayagarh block, one third (ten) of them were selected randomly that would represent the entire block. Such panchayats were Balugaon, Champatipur, Badapandusar, Biruda, Bhattasahi, Lenkudipada, Kalikaprasad, Lathipada, Nabaghanapur, Sinduria. Here all possible institutional agencies have financed.

In the third stage, all the households of ten Gram Panchayats, availed loan from institutional agencies, were listed and ten households were taken from each GP randomly. Head of the household was the respondent. The farm holdings were classified in three size groups as:

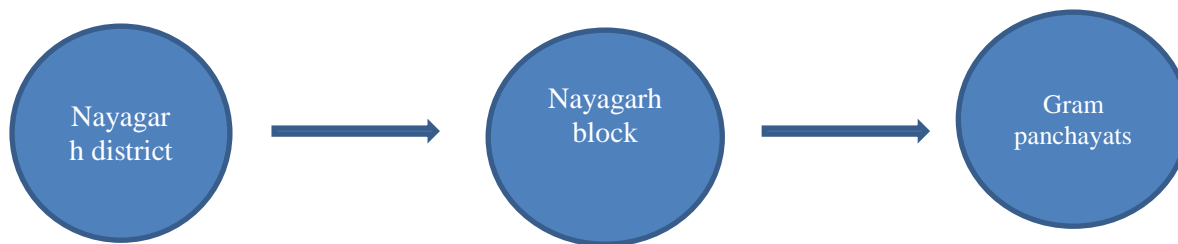
Group-I: Marginal farmers (< 2.5acres)

Group-II: Small farmers (2.5-5acres)

Group-III: Large farmers (> 5acres)

It was seen in all the Panchayats that nearly sixty per cents farmers belonged to Group-I category while thirty five percent from Group-II and rest from Group-III category. From each panchayat ten households were take randomly that comprised of six marginal farmers, three small farmers, and one large farmer.

Selection of sample respondents



| CATEGORY GPs | Group-I | Group-II | Group-III | Total |
|-----------------|---------|----------|-----------|-------|
| Balugaon | 6 | 3 | 1 | 10 |
| Champatipur | 6 | 3 | 1 | 10 |
| Badapandusar | 6 | 3 | 1 | 10 |
| Biruda | 6 | 3 | 1 | 10 |
| Bhattasahi | 6 | 3 | 1 | 10 |
| Lenkudipada | 6 | 3 | 1 | 10 |
| Kalikaprasad | 6 | 3 | 1 | 10 |
| Lathipada | 6 | 3 | 1 | 10 |
| Nabaghanapur | 6 | 3 | 1 | 10 |
| Sinduria | 6 | 3 | 1 | 10 |
| Total | 60 | 30 | 10 | 100 |

Thus in this way hundred households i.e. sixty from Group-I, thirty from Group-II and ten from Group-III were selected from the block for the present study.

Both primary and secondary data were collected for the study.

Primary data:

Primary data were collected from the sample farmers using a pre tested structured interview schedule. The finalised schedule sought detailed information on sources and supply of farm credit etc. In addition, interview technique was also used to extract detailed information wherever needed for open end questions with the bank officials at the state and district level. The information provided by the respondents related to input and output of the agriculture sector was related to the agricultural year 2018-19.

Secondary sources:

The secondary data about flow of agricultural credit and its growth pattern over the years in the study area were collected from the institutions like Commercial Banks, Nayagarh District Central Cooperative Bank, Odisha Gramya Bank, from where the farmers had availed credit. Data pertaining to potential

linked credit plan, annual credit plan and banking profile of the district were collected from NABARD.

Descriptive data analysis technique was solely used to provide valuable information about the basic feature of the data in the study i.e. extent of borrowing and lending. With this technique, the estimates and summaries were arranged in tables, to meet the objective.

RESULTS AND DISCUSSION

To analyze the progress and performance of financial institutions in the study area in the process of lending, it is important to know the sources and amount of supply of farm credit with respect to demand for agricultural credit. This progress has been scrutinized and the results are presented under the following sub-heads:

1. Sources of credit
2. Average amount of credit borrowed
3. Amount of credit supplied
4. Demand for agricultural credit
5. Extent of lending
6. Equilibrium between credit demand and supply

1. Sources of credit

The sources of farm credit for the sample respondents have been represented in Table 1. Commercial banks, Regional Rural Banks and Cooperatives are the various sources of credit for the sample respondents in the study area. Group-I respondents have maximum borrowings from the cooperatives while Group-III respondents have completely relied upon commercial banks. RRBs have only contributed to the Group-I respondents. All the three sources of credit have catered to the credit needs of Group-I respondents. Majority of the Group-II respondents i.e. eighty per cent are dependent on commercial banks and rest of the respondents on cooperatives. So in a decreasing tune, forty four respondents met their credit need from cooperatives followed by thirty nine from commercial banks and rest of the respondents from the RRBs. Group-III respondents depending on commercial Banks for finance may be due to the fact that for large land holding, they could avail more credit which could not be financed either by the cooperatives or the RRBs. On the other hand the RRBs have lend only to Group-I respondents indicating limited credit transaction.

This is totally similar to the findings of Gandhinati and Vanita in 2010 in Thondamathur block of Coimbatore district in Tamil Nadu regarding the source of borrowing for the farmers.

However as such, the cooperatives are the major sources of finance followed by commercial banks and RRBs.

This is akin to the findings of Atibudhi in 2005 regarding institutional credit flow to agriculture in Odisha.

This is corollary to the works conducted by Varghese and Devi in 2012 regarding backward behavior of farmers in the backward areas of Kerala. It may be due to the change in area of study.

None of the respondents depends on non-institutional sources of credit as they have been exploited by the local money lenders through exorbitant rate of interest and have put them in debt trap since time immemorial. Earlier they have been so much frustrated by these money lenders that they hardly wish to borrow from them even to meet their immediate requirement. Moreover, borrowings from the institutional sources have been comparatively easier.

This is opposite to the findings of Shivappa in 2005 regarding sources of credit for the borrowers of Karnataka, Singh *et al.* in 2009 regarding institutional credit in the Punjab, Raj in 2012 regarding credit system of India and Ayegba and Ikani in 2013 regarding financial institutions for agricultural sector in Nigeria.

Most of the households, now days, enjoy basic financial services due to financial inclusion.

This is corollary to the findings of Asian Development Bank report in 2007 regarding formal sources of credit in agriculture.

Table 1: Sources of credit for the sample respondents (n=100)

| Sl. No. | Category | Commercial banks | | RRBs | | Cooperatives | |
|---------|-----------------------------------|------------------|-----|--------|------|--------------|------|
| | | Number | % | Number | % | Number | % |
| 1 | Group-I (n ₁ =60) | 5 | 8.3 | 17 | 28.3 | 38 | 63.3 |
| 2 | Group-II (n ₂ =30) | 24 | 80 | 0 | 0 | 6 | 20 |
| 3 | Group-III (n ₃ =10) | 10 | 10 | 0 | 0 | 0 | 0 |
| 4 | Total (n=100) | 39 | 39 | 17 | 17 | 44 | 44 |

2. Average amount of credit borrowed

The average amount of credit borrowed from different sources by the sample respondents has been pointed out Table 2. The credit borrowed by the sample respondents of Group-I from different sources is almost at par. The average amount borrowed by a sample respondent of Group-II from commercial bank is nearly seventy five thousand rupees while from cooperatives, it is nearly seventy one thousand. A Group-III respondent borrows eighty six thousand rupees. So as a whole, the average amount borrowed by a respondent of pooled category from commercial banks is forty six thousand six hundred ninety three rupees while forty three thousand nine hundred thirty nine rupees from Cooperatives and only twenty one thousand nine hundred ten rupees from RRBs. Since the RRBs catered only to Group-I respondents, the average amount of

credit borrowed from them is the least. Contrarily, though the cooperatives fetch the credit needs of more number of respondents, however as the amount of credit given by the commercial banks is more and also the commercial banks fetch the credit requirement of quite a good number of respondents as stated earlier, therefore the average amount of credit borrowed by the sample respondents is more from the commercial banks. And the cooperatives remain in between them in terms of average amount of credit borrowed. Nonetheless, in terms of average amount of credit borrowed, Cooperatives closely follows the Commercial banks.

This finding is similar to Akhilesh and Singh in 2005 in Varanasi district of Uttar Pradesh regarding financing farmers for agriculture.

Table 2: Average amount of credit borrowed from different sources by the sample respondents (n=100) (in Rs)

| Sl. No. | Category | Commercial banks | RRBs | Cooperatives |
|---------|-----------------------------------|------------------|-------|--------------|
| 1 | Group-I (n ₁ =60) | 35600 | 36517 | 37815 |
| 2 | Group-II (n ₂ =30) | 74966 | 0 | 70833 |
| 3 | Group-III (n ₃ =10) | 86600 | 0 | 0 |
| 4 | Pooled (n=100) | 46693 | 21910 | 43939 |

3. Amount of credit supplied

The credit supplied by the institutional sources is indicative from the credit deposit ratio (C:D ratio), sub sector wise and agency wise credit flow under agriculture and allied activities during last three years and targets for 2018-19 in Nayagarh district and ACP (Annual Credit Plan) financial projection for the subsequent years.

The quarter wise deposits, credit and the ratio of the two for the last two years are

represented in Table 3. It is seen that during the last eight quarters the C:D ratio has remained within fifty to sixty percentage. It is highest in the September 2018 quarter with 57.69 per cent and lowest during June 2017 quarter with 51.64 per cent. It signifies that the performance of credit lending has not been satisfactory in any of the quarter as the banks have not advanced a margin of sixty per cent of the deposits.

Table 3: Quarter wise Deposits, Credit and C.D ratio of all banks of Nayagarh district for the years 2017-18 and 2018-19

| (Rs lakh) | | | | |
|-----------|----------------|-----------|-----------------|-----------|
| Sl No. | Quarter | Deposit | Advance/ Credit | C.D ratio |
| 1 | June 2017 | 269363.71 | 139112.8 | 51.64 |
| 2 | September 2017 | 276623.28 | 145748.49 | 52.68 |
| 3 | December 2017 | 293698.8 | 158335.3 | 53.91 |
| 4 | March 2018 | 313177.1 | 164673.3 | 52.58 |
| 5 | June 2018 | 307598.5 | 166216.9 | 54.03 |
| 6 | September 2018 | 291750.73 | 168329.43 | 57.69 |
| 7 | December 2018 | 324575.8 | 173827.08 | 53.5 |
| 8 | March 2019 | 350227.25 | 185440.59 | 52.94 |

Source: Office of the Lead Bank, Nayagarh

Agency wise yearly deposit, credit and C:D ratio of Nayagarh district for the last two years is highlighted in Table 4. The cooperatives have lent almost the double of their deposits in these two years. Next to them the private banks have also lent more amount of credit. On the other hand the RRBs and commercial banks have not lent even fifty per cent of their deposits. Supplying more amount of credit than deposits by the cooperatives imply that such institutions actually wish for the development of the people. The more of the credit supplied by such institution might have come to them in the forms of grants, aids, refinance facilities from NABARD, borrowings from other institutions and so on. Similarly the private banks have used more of their own fund in credit supply with the intention to earn profit, might have high risk bearing ability. But none of the respondents have availed credit from private banks. Might

it be so, that the Private Banks supply credit to other sectors as case of NPAs is relatively high in agriculture. Again, it can't be possible as they have to satisfy the priority sector lending norms. So the Private Banks might not have supplied credit in selected Village Panchayats of the study area. Commercial banks have supplied less credit as compared to their deposits. But earlier primary data shows that more amount of credit is borrowed from the commercial banks. The reason behind this is that the deposits of the commercial banks are comparatively more in amount as compared to other agencies. So even though the average amount borrowed by the sample respondents is more from the commercial banks, the credit deposit ratio becomes less. Further though the performance of RRBs has not been satisfactory in terms of credit deposit ratio, it has increased in 2017-18.

Table 4: Agency wise yearly deposits, credit and CD ratio of Nayagarh district

| (Rs lakh) | | | | | | | |
|-----------|---------------|----------|-----------------|-----------|----------|-----------------|-----------|
| Sl No | Agency | 2016-17 | | | 2017-18 | | |
| | | Deposit | Advance/ Credit | C.D ratio | Deposit | Advance/ Credit | C.D ratio |
| 1 | CBs | 201572.5 | 87522.7 | 43.42 | 221135 | 83235.21 | 37.64 |
| 2 | Private banks | 14681.67 | 15622.7 | 106.41 | 23059.23 | 19286.73 | 83.64 |
| 3 | RRBs | 49703.2 | 21521.48 | 43.33 | 47361.4 | 22240.9 | 46.96 |
| 4 | CCBs | 19435.04 | 39653.3 | 204.03 | 21621.7 | 39887.7 | 184.48 |

Source: Office of the Lead Bank, Nayagarh

The source wise type of loan supplied is depicted in Table 5. Repeatedly cooperatives possess the major share in crop loan while the Commercial banks have a lion share in supply of term loan. To both these sectors (crop loan and term loan), RRBs have supplied the least. However it has been targeted that during 2018-19 the commercial banks would achieve almost fifty per cent of the total lending in crop loan segment. Term loans, in comparison to crop loans are less in quantity.

The finding about RRBs supplying the least amount of credit is in corroboration with the findings of Rajput and Velma in 2005 regarding financing process of RRBs in Madhya Pradesh.

It is also clear from the table that banks supply terms loans. But none of the

sample respondents have availed term loan. Term loan has not been supplied to agriculture sector. Since the performance of agricultural term loan is poor, it implies poor institutional support for capital formation in agriculture.

However, for the last three years the cooperatives have the highest share for total credit for agriculture and allied activities.

It is opposite to the findings of Mundinamani in 2005 regarding the working of Commercial banks towards agriculture development in Dharwad district of Karnataka and Singh et al. in 2005 regarding different credit disbursing agencies in Hissar district of Haryana. It has happened either due to different study area or time difference or both.

Table 5: Sub sector wise and Agency wise Credit Flow under Agriculture and Allied Activities during last three Years and Targets for 2018-19 in Nayagarh district (Rs lakh)

| Sr No. | Purpose | 2015-16 | | | | 2016-17 | | | | 2017-18 | | | | 2018-19 | | | |
|--------|------------------------------|----------------------|---------------------|----------------------|--------------------|-------------------|----------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|----------------------|---------------------|---------------------|---------------------|
| | | CBs | RRBs | Co-Ops | Total | CBs | RRBs | Co-Ops | Total | CBs | RRBs | Co-Ops | Total | CBs | RRBs | Co-Ops | Total |
| 1 | Crop loan | 12877.51 (26.33%) | 7498.45 (15.32%) | 28545.91 (58.35%) | 48921.87 (100%) | 14282 (30.17%) | 545 (1.15%) | 32514 (68.68%) | 47341 (100%) | 14285 (26.41%) | 9600 (17.75%) | 30196 (55.84%) | 54081 (100%) | 41983.58 (51.12%) | 8686.08 (10.58%) | 31450.34 (38.3%) | 82120 (100%) |
| 2 | Term loan total | 11283.1 (95.36%) | 465.84 (3.94%) | 82.58 (0.7%) | 11831.53 (100%) | 11276 (99.08%) | 43 (0.38%) | 62 (0.54%) | 11381 (100%) | 11162 (60.8%) | 5357 (29.2%) | 1835 (10%) | 18354 (100%) | 21739.8 (73.53%) | 6494.2 (21.96%) | 1332.66 (4.51%) | 29566.69 (100%) |
| a | MI | | | | | | | | | | | | | | | | |
| b | LD | | | | | | | | | | | | | | | | |
| c | FM | | | | | | | | | | | | | | | | |
| d | P&H | | | | | | | | | | | | | | | | |
| e | Agri-others | | | | | | | | | | | | | | | | |
| f | D/D | | | | | | | | | | | | | | | | |
| g | Poultry/F | | | | | | | | | | | | | | | | |
| h | Sheep/Goat/ Piggery | | | | | | | | | | | | | | | | |
| i | Fisheries | | | | | | | | | | | | | | | | |
| j | Forestry / Wasteland | | | | | | | | | | | | | | | | |
| k | Storages/ Market Yards | | | | | | | | | | | | | | | | |
| l | Bio Gas B&BC | | | | | | | | | | | | | | | | |
| m | Sericulture | | | | | | | | | | | | | | | | |
| | Grand Total | 24160.62 (39.77%) | 7964.29 (13.11%) | 28628.49 (47.12%) | 60753.4 (100%) | 25558 (43.52%) | 588 (1%) | 32576 (55.48%) | 58722 (100%) | 25447 (35.13%) | 14957 (20.65%) | 32031 (44.22%) | 72435 (100%) | 63723.42 (57.06%) | 15180.27 (13.6%) | 32783 (29.36%) | 111686.69 (100%) |

Source: Potential Linked credit Plan 2019-20 of Nayagarh district by NABARD

4. Demand for agricultural credit

The demand for agricultural credit can best be assessed from scale of finance of Nayagarh district that is inclusive of seventy per cent operating expense, twenty per cent asset maintenance, and rest for the consumption expenditure. Table 6 represents the scale of finance for major fixed crops per acre in terms of cash and kind viz. seeds, fertilizers, pesticides, and others for different periods of investment in *Kharif* and Rabi. It highlights

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the fund required for raising of different crops. Some of the important crops such as paddy, sugar cane, groundnut, mustard etc. grown in the study area respectively require Rs 22000, Rs 55000, Rs 16000 and Rs 11000. The amount of credit to be demanded is the sum total of operating expenses for crop production, capital asset maintenance, and consumption expenditure. However in the current scenario the entire credit amount is given in the form of cash only.

Table 6: Scale of Finance of Nayagarh district for major crops fixed and approved in the Nayagarh District Level Technical Committee (DLTC) meeting held on dated 23.11.2017 for the year kharif 2018 and Rabi 2018-19

| Sl No. | Crop | Scale of finance for the year 2018-19 (Rs per acre) | | | | | | Period of investment | |
|--------|---------------------|---|-------|-------------|------------|--------------|--------|----------------------|---------------|
| | | Cash | Seeds | Fertilizers | Pesticides | Ins & others | Total | Kharif | Rabi |
| 1 | Paddy (Local) | 17000 | 600 | 2500 | 1000 | 900 | 22,000 | April to Sept. | Oct to March |
| 2 | Paddy (HYV) | 18500 | 600 | 3000 | 800 | 1100 | 24,000 | April to Sept | Nov. to Feb. |
| 3 | Sugarcane (New) | 36000 | 11000 | 5500 | 1000 | 1500 | 55,000 | April to Sept | Nov. to March |
| 4 | Sugarcane (Ratoon) | 29000 | 0 | 6000 | 1500 | 500 | 37,000 | April to Sept | Nov. to March |
| 5 | Groundnut | 9000 | 3500 | 1500 | 1500 | 500 | 16,000 | April to June | Oct. to Jan. |
| 6 | Wheat | 6500 | 1000 | 1500 | 500 | 500 | 10,000 | | Feb. To April |
| 7 | Maize | 11800 | 1700 | 2000 | 500 | 0 | 16,000 | April to July | Oct. to Dec. |
| 8 | Ragi | 4000 | 400 | 1300 | 200 | 100 | 6,000 | April to June | Nov. to Dec. |
| 9 | Mung | 7000 | 600 | 2000 | 400 | 0 | 10,000 | April to June | Oct. to Dec. |
| 10 | Mustard | 8000 | 400 | 1600 | 500 | 500 | 11,000 | | Oct. to Nov. |
| 11 | Potato | 110000 | 20000 | 6000 | 4000 | 4000 | 45,000 | | Oct. to Dec. |
| 12 | Onion | 13000 | 5000 | 5000 | 4000 | 3000 | 30,000 | | Oct. to Dec. |
| 13 | Brinjal | 11000 | 6000 | 5000 | 3500 | 1500 | 27,000 | April to July | Oct. to Dec. |
| 14 | Okra | 6500 | 3000 | 2500 | 1000 | 0 | 13,000 | April to June | Nov. to Dec. |
| 15 | Chilly HY | 8000 | 3000 | 3000 | 2000 | 1000 | 17,000 | April to June | Oct. to Dec. |
| 16 | Gourd | 4000 | 1500 | 3000 | 1100 | 1400 | 11,000 | April to June | Oct. to Dec. |
| 17 | Tomato HY | 15000 | 4000 | 4000 | 2000 | 2000 | 27,000 | April to June | Oct. to Dec. |
| 18 | Cauli flower | 10000 | 5000 | 4000 | 2000 | 1000 | 22,000 | | Oct. to Dec. |
| 19 | Cotton | 7000 | 300 | 1700 | 800 | 200 | 10,000 | April to Sept | |
| 20 | Arhar | 8000 | 500 | 1800 | 500 | 200 | 11,000 | June to July | Oct. to Jan. |
| 21 | Garlic | 6700 | 4500 | 2800 | 1000 | 1000 | 16,000 | | Oct. to Jan. |
| 22 | Potol | 17000 | 4000 | 4000 | 2000 | 3000 | 30,000 | June to Sept. | Nov. to Dec. |
| 23 | Sunflower | 7000 | 1700 | 2600 | 700 | 1000 | 13,000 | | Nov. to Jan. |
| 24 | Tuberose | 8800 | 8000 | 8000 | 1200 | 0 | 26,000 | | Nov. to Jan. |
| 25 | Ginger | 8000 | 16000 | 5000 | 2500 | 4000 | 35,500 | April to June | |
| 26 | Turmeric | 8000 | 16000 | 2800 | 2600 | 1600 | 31,000 | April to June | Oct. to Dec. |
| 27 | Sugarcane (pit) | 30500 | 3500 | 4000 | 1000 | 1000 | 40,000 | April to May | Dec. to March |
| 28 | Pisciculture | 10000 | 20000 | 25000 | 2000 | 3000 | 60,000 | June to August | |
| 29 | Fresh water Prawn | 11000 | 20000 | 45000 | 5000 | 2000 | 83,000 | April to July | |
| 30 | Marigold | 7000 | 5000 | 2000 | 500 | 500 | 1,5000 | | Nov. to Dec. |
| 31 | Sesamum | 5300 | 200 | 2800 | 700 | 500 | 9,500 | April to June | Nov. to Dec. |
| 32 | Banana | 22000 | 15000 | 10000 | 3000 | 5000 | 55,000 | April to June | |
| 33 | Banana (tissue) | 22000 | 20000 | 15000 | 3000 | 5000 | 65,000 | | Oct. to Dec. |
| 34 | Papaya | 10000 | 10000 | 5000 | 3000 | 2000 | 30,000 | April to June | |
| 35 | Colocasia | 10000 | 6000 | 4000 | 1000 | 1000 | 22,000 | April to June | Oct. to Dec. |
| 36 | Yam | 9000 | 3000 | 1500 | 500 | 1000 | 15,000 | April to June | Oct. to Dec. |
| 37 | Capsicum | 11400 | 5000 | 4500 | 11000 | 0 | 22,000 | April to June | |
| 38 | Kankan | 9000 | 2500 | 3500 | 1500 | 1500 | 18,000 | April to June | Oct. to Dec. |
| 39 | Cowpea | 8000 | 600 | 1500 | 200 | 0 | 10,300 | April to June | Oct. to Dec. |
| 40 | Niger | 3000 | 150 | 850 | 500 | 0 | 4,500 | April to June | |
| 41 | Elephant Yam | 16000 | 11000 | 2000 | 500 | 500 | 3,0000 | April to June | |
| 42 | Mushroom (64 bed) | 29500 | 1500 | 0 | 0 | 1000 | 32,000 | April to Sept | Oct. to March |
| 43 | Pineapple | 8000 | 17000 | 12000 | 1000 | 2000 | 40,000 | April to Sept | |
| 44 | Soyabean | 3400 | 1200 | 1200 | 400 | 200 | 6,400 | April to Sept | |
| 45 | Hybrid Napier Grass | 7000 | 0 | 3000 | 0 | 4000 | 14,000 | April to Sept | |

Source: Annual Credit Plan of Nayagarh District 2018-19, Lead Bank Office, Nayagarh

6. Equilibrium between credit demand and supply

The credit demanded and credit supplied need to go hand in hand. To visualize whether the credit supplied is corresponding to the credit demanded or not, the target and achievements of credit flow need to be compared. In this perspective, Table 8 projects an overview of ground level credit flow- agency wise/ sector wise during the last three years and targets for 2018-19 for Nayagarh district. It is seen that for the last three years in terms of total agricultural credit, achievement though not equal to the target amount still the achievement is increasing with 53.28 per cent in 2015-16 to 76.85% in 2017-18 of the target amount. For the private banks, it is seen that they are achieving more than hundred per cent of the target amount in terms of total agricultural credit while for the RRBs the achievement has been the least. Gradually by 2017-18 all the agencies have achieved a desirable uniform percentage of 76 per cent of the target amount.

In short, it is the annual credit plan that aims at enhancement in production and productivity of agriculture on sustainable basis, generation of employment and reduction of rural poverty through increased ground level credit, promotion of agribusiness, strengthening of rural infrastructure etc. The

target of the Annual Credit Plan is set basing upon the proportionate deposits and demand and potential for credit. And achievement denotes the amount of credit supplied. The process of setting the targets of ACP is such that potential linked plan is prepared by the NABARD basing on the potential available in the district for credit absorption after consulting with the line department officials which is submitted to Reserve Bank of India and the State Government. In the State Level Bankers Committee meeting, RBI and State Govt. Officials finalise it with the view of other members too. It is then forwarded to the concerned Lead District Manager. The Lead district manager prepares the potential plan block wise, sector wise basing on the need and demand and agency wise based upon the proportionate deposit of the concerned agencies. In case of crop loan, the achievement is more by the cooperatives followed by commercial banks and RRBs. On the other hand, term loan lending is high with commercial banks. Private Banks are non-uniform in lending procedure. However surprisingly, all the sources have achieved a uniform seventy six per cent of the target amount in 2017-18. It might be due to strong influence from the higher authorities to achieve a desirable target rate by all the institutions.

Table 8: An overview of Ground level credit Flow- Agency wise/ Sector wise during the last three years and targets for 2018-19 for Nayagarh District.

(Rs Lakh)

| Sr No | Agency/Type of loan | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 |
|-------|--------------------------------|----------|----------------------|---------|-------------------|---------|-------------------|----------|
| | | Target | Achievement | Target | Achievement | Target | Achievement | Target |
| 1 | Crop Loan | | | | | | | |
| | CBs | 19683.4 | 11533.81 (58.6%) | 27823 | 12872 (46.26%) | 16918 | 13001 (76.85%) | 39089.73 |
| | CCB | 36572.1 | 28545.91 (78.05%) | 35050 | 32514 (92.76%) | 39293 | 30196 (76.84%) | 31450.34 |
| | Private Banks | 1659.5 | 1343.7 (80.97%) | 2652 | 1410 (53.17%) | 1671 | 1284 (76.84%) | 2893.85 |
| | RRB | 11030 | 7498.45 (67.99%) | 11392 | 545 (4.78%) | 12493 | 9600 (76.84%) | 8686.08 |
| | Total | 68945 | 48921.87 (70.96%) | 76917 | 47341 (61.55%) | 70375 | 54081 (76.85%) | 82120 |
| 2 | Term Loan (LT+MT) Agril | | | | | | | |
| | CBs | 6339.75 | 8593.93 (135.55%) | 13321 | 7356 (55.22%) | 11942 | 9177 (76.85%) | 20241.35 |
| | CCB | 12882.28 | 82.58 (0.64%) | 599 | 62 (10.35%) | 2388 | 1835 (76.84%) | 1332.66 |
| | Private Banks | 476 | 2689.28 (564.9%) | 1382 | 3920 (283.64%) | 2583 | 1985 (76.85%) | 1498.49 |

| | | | | | | | | |
|---|---------------------------------------|-----------|----------------------|--------|--------------------|--------|-------------------|-----------|
| | RRB | 3999 | 465.84 (11.65%) | 13865 | 43 (0.31%) | 6971 | 5357 (76.85%) | 6494.19 |
| | Total | 23697.03 | 11831.63 (49.93%) | 29167 | 11381 (39.02%) | 23884 | 18354 (76.85%) | 29566.69 |
| 3 | Total Agriculture Credit (1+2) | | | | | | | |
| | CBs | 22752.35 | 13384.07 (58.82%) | 41144 | 20228 (49.16%) | 28860 | 22178 (76.84%) | 59331.08 |
| | CCB | 46240.55 | 23220.86 (50.21%) | 35649 | 32576 (91.38%) | 41681 | 32031 (76.85%) | 32783 |
| | Private Banks | 1809.9 | 3114.39 (172.08%) | 4034 | 5330 (132.12%) | 4254 | 3269 (76.85%) | 4392.34 |
| | RRB | 13486.2 | 5186.28 (38.45%) | 25257 | 588 (2.33%) | 19464 | 14957 (76.84%) | 15180.27 |
| | Total | 84289 | 44905.6 (53.28%) | 106084 | 58722 (55.35%) | 94259 | 72435 (76.85%) | 111686.69 |
| 4 | Non-Farm sector | | | | | | | |
| | CBs | 6220.24 | 9765.86 (157%) | 14481 | 11159 (77.06%) | 12874 | 9893 (76.84%) | 16679.31 |
| | CCB | 1297.93 | 0 | 1752 | 1992 (113.7%) | 2574 | 1978 (76.84%) | 909 |
| | Private Banks | 821.9 | 565.05 (68.74%) | 2658 | 1834 (69%) | 3863 | 2968 (76.83%) | 1234.79 |
| | RRB | 2124.4 | 5464.29 (257.22%) | 21015 | 6953 (33.08%) | 6437 | 4946 (76.84%) | 1021.58 |
| | SFC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 10464.47 | 15795.2 (150.94%) | 39906 | 21938 (54.97%) | 25748 | 19785 (76.84%) | 19844.68 |
| 5 | Other Priority Sectors | | | | | | | |
| | CBs | 11267.3 | 6555.78 (58.18%) | 2171 | 4571 (210.54%) | 1843 | 1416 (76.83%) | 21452.25 |
| | CCB | 1267.6 | 586.28 (46.25%) | 652 | 968 (148.46%) | 527 | 405 (76.85%) | 0 |
| | Private Banks | 1880.8 | 15.66 (0.83%) | 477 | 2125 (445.49%) | 1446 | 1128 (78%) | 1588.12 |
| | RRB | 4377.8 | 7612.76 (173.89%) | 3634 | 8633 (237.56%) | 758 | 584 (77.04%) | 286.52 |
| | Total | 18793.5 | 14770.48 (78.6%) | 6934 | 16297 (235.03%) | 4574 | 3533 (77.23%) | 23326.89 |
| | GRAND TOTAL | 113546.97 | 75471.28 (66.46%) | 152924 | 96957 (63.4%) | 124581 | 95753 (76.86%) | 154858.26 |

Source: Potential Linked credit Plan 2019-20, Nayagarh district by NABARD

CONCLUSION

Based on the findings of the study, the following policies are suggested in the study area to reduce the restrictions in credit lending and to enhance credit outreach.

- Issue of composite credit system that would include both cash credit and term loans that would result in institutional support for capital formation in agriculture.
- Business Correspondents or Business Facilitators need to be set up by banks to provide banking services at locations other than a bank branch to expand its outreach and offer a range of banking services at a low cost.
- The downward trend in credit deposit ratio of banks and more particularly of the Regional Rural Banks needs to be reversed by achieving at least the minimum target level of sixty per cent.
- The poor performance of the RRBs need to be assessed by the competent authorities and they should be reminded the premises on which the institution is established that the then existing credit institutions even after necessary restructuring and modifications could not meet the varied and growing needs of rural credit and thence it, with clear understanding of rural problems combining the local familiarity of the cooperatives and business outlook of the Commercial banks, would cater to

serve the rural community with much more dedication to uplift the lot of rural economy by financing agriculture, trade and industry in general and small and marginal farmers, agricultural labourers, and small entrepreneurs in particular.

- Since small and marginal farmers are the real impoverished and disadvantaged ones, their credit needs need to be emphasized but not at the cost of other category of borrowers. They may be given consumptive loans at a subsidized rate that would help for efficient credit utilization.

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