

A Study on Agricultural Loan Performance in Select Indian Public Sector Banks

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ABSTRACT

The paper studies the agricultural loan performance of selected public banks. Last decade has witnessed many changes in the banking industry. In this study highlighted the effect of the loans and advances on the Indian Economy. Banks mainly make profit from the difference of interest received and loans paid. Banks are performing the number of functions in addition to its woman in functions lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the Commercial banks are profit making Organization thus they have profit making dimension added to advances granted by them. In this paper we have focus done the movement of agricultural Loans of the public banking industry by analyzing the data from the year 2013 to 2018.

Keywords: *Investment, exchange of goods, credit etc.,*

I. INTRODUCTION

This paper studies with the agricultural Loan Performance of selected public banks. In the last decades various developments have been witnessed in the Public Banking Sector. Public Banks generally perform two main functions lending & accepting deposits. It facilitates business activities providing money and services that help in exchange of goods. Lending is the most profitable because interest rates realized on loan is more than those realized on investment. Interest received on loans are the main source of income for banks. Bankers deploy the residual funds to meet the administrative requirement, give salary to staff, build reserves and pay dividends to the shareholders and satisfy liquidity requirements. An examination of some of the important characteristics of loans provides us an insight into the lending activities of Public banks.

II. OBJECTIVES OF THE STUDY

This study mainly focuses on the agricultural loan performance of the selected public banks the main objectives for the study were:

- To evaluate the growth of lending in selected public banks.
- To ascertain the sources or causes that promoted or weakened the credit programme of public banks.
- To find out the operational efficiency performance of public Sector Banks.
- To make relevant suggest remedial measures based on the findings of the study.

III. REVIEW OF LITERATURE

Muhammad and Shah (1981) in their study, 'Agricultural Production Credit Requirements in D.I. Khan District' concluded that the system of disbursement of loans of credit institution was not based on

the actual needs of the farmers. He further stated that the structure of the society was such that resourceful farmers succeeded in securing loans more than their requirements while non- influential farmers failed to fulfill even their requirements.

Jugale (1992) in his book 'Co- Operative Credit in Indian Agriculture' discussed the socio-economic impact of co-operative credit on agriculture sector. In his study, he found that the real success of cooperative credit depends on achievements of the Primary agriculture society (PACS) and Land Development banks (LDBs) at micro level. The study further concluded that these credit facilities are mainly responsible for transforming the cropping and land use patterns.

Misra (1999) in his book 'Commercial Banks and Agricultural Development' analyzed the role played by commercial banks in promoting agricultural development in hilly and drought-prone areas of Orissa. He also observed that the farmer borrowers have a number of difficulties in respect of inadequate supply of inputs, lack of marketing facilities, lack of irrigation facilities and the problem of storage.

Heiko and Cihak (2007) in their working paper, titled, "Co-operative Banks and Financial Stability", presented the findings of their study on co-operative banks and their financial stability. The study was based on individual bank data drawn from the Bank Scope Database for 29 major advanced economies and emerging markets that were members of the Organization for Economic Co-operation and Development (OCED). These findings, perhaps somewhat surprising at first, were due to the much lower volatility of co- operative banks' returns, which offsets their relatively lower profitability and capitalization.

IV. RESEARCH METHODOLOGY

Sample size

For the present study, 10 banks have been considered Bank of India, Indian Bank, Indian Overseas Bank And State Bank India.

Reference period

The period for the present study covered 5 years. **2013-14 to 2017-18.**

Data collection

The data for the present study has been collected from the annual reports and accounts, which was obtained from the branch offices and related sites. All the data related to the study have been rounded off to crore (rupees).

V. TYPES OF CREDIT/ LENDING SCHEMES OFFERED BY PUBLICBANKS

Indian Public Banks finances the working capital requirements of their customers. The main credits of financing in our country are Term Loans, Cash Credit, Overdrafts, and Loans Repayable on demand, bills purchased and discounted.

1. CASHCREDIT

It is the main source of lending by banks. Under this scheme bank Advances loans for a given period on the security of shares, debentures and movable and immovable properties. Generally, banks

charges interest on the amount which has been withdrawn by the account holder. The main advantages of this facility are it encourages savings, allows easy payment and provides flexibility. The disadvantages are that it encourages speculation, creates monopolistic tendencies and create inflation pressure.

2. OVERDRAFT

When a bank allows its customers having current account to withdraw the amount more than the deposits in the account it is called Overdraft. The Overdrafts depends on the credit of the customers.

Such facility is given for short term and emergency purposes. Banks require security from the customer for such facility. Such facility is given on the current account only. The main advantage of overdrafts is that it provides flexibility and easy and quick arrangement of cash flows. The disadvantages are that it carries high cost and it need to be secured.

3. TERM LOANS

A Term Loan is a loan in which a borrower pays interest only for a set period. Term loans always mature between 1 to 10 years. The term loan is generally provided as working capital for acquiring income producing assets that generate the cash flows for repayment of the loan. They are the source of long term debt; they are generally obtained for financing large expansion, modernization. The advantages of term loans are that they are more flexible as compared to others; they usually have fixed interest rate. The disadvantages of term loans are that it carry repayment facility.

TABLE 1
AGRICULTURAL LOAN PERFORMANCE OF INDIAN PUBLIC BANKS DURING 2013-2014 to 2017-2018

Year/ Bank	2014	2015	2016	2017	2018
Bank of India	1,684,907,098	2,130,961,817	2,488,333,442	2,893,674,972	3,707,335,364
Indian Bank	621,461,323	752,499,056	903,235,995	1,056,425,468	1,222,089,858
Indian Overseas Bank	790,039,257	1,118,329,775	1,407,244,443	1,603,641,2	1,758,877,668
SBI	6,319,141,520	7,567,194,480	11,636,702,054	10,456,165,531	12,698,287,192

Table 1 shows the loan performance of Indian Public Banks during 2013 –2014 to 2018 - 2019. At the end of the year 2013, the amounts of loans provided by the select public sector banks were increased year after year. It was a great achievement for these select public sector banks.

TABLE 2
PERFORMANCE OF SELECTED PUBLIC BANKS IN CASH CREDIT, OVERDRAFT AND LOANS REPAYABLE ON DEMAND DURING 2013-2014 to 2017-2018 (IN CRORE)

Year/ Bank	2014	2015	2016	2017	2018	Average
Bank of India	710,607,593	945,940,431	1,099,367,073	1,228,782,177	1,632,906,390	4,311,278,552
Indian Bank	269,939,017	269,481,177	360,575,816	453,829,318	582,036,664	1,470,232,661
Indian Overseas Bank	342,949,799	490,335,318	625,220,563	6,849,79381	794,628,117	1,624,281,096
SBI	2,751,504,964	3,398,253,341	4,984,812,077	4,654,517,702	5,228,608,739	16,834,809,832

Table.2 shows the Details of cash credit, Overdraft and Loan Repayable on demand of select public banks from the period 2013-2014 to 2017-2018. The loan figures for select

public sector banks shows that the volume of term loan increased rapidly in every year of the study period.

TABLE 3
PERFORMANCE OF SELECTED PUBLIC BANKS IN ADVANCES OUTSIDE INDIA DURING 2013-2014 to 2017-2018

Year/ Bank	2014	2015	2016	2017	2018	Average
Bank of India	358,486,234	512,993,110	730,597,794	892,858,784	1,130,551,611	2,721,046,244
Indian Bank	26,653,326	31,181,937	48,511,745	59,370,095	73,524,205	180,421,944
Indian Overseas Bank	76,767,010	105,630,315	156,601,776	1,906,20689	184,499,270	377,805,161
SBI	961,601,900	1,080,439,856	1,427,875,562	1,674,076,248	2,119,443,856	5,567,882,337

Table.3 shows the Details of advances outside India select public banks from the period 2013-2014 to 2017-2018. The loan figures for select public sector banks shows that the volume of advances outside India increased rapidly in every year of the study period.

V. RECOMMENDATIONS AND SUGGESTIONS

After having studied the agricultural Loan Performance of the selected Public Banks, the following suggestions could improve the operational efficiency of the Public Banking Sector.

They are as follows:

- It was observed that the lending policies of the various Banks were not proper due to having improper financing.
- Banks should provide detailed information to the customer about their lending policy.
- Various Public Banks are not granting Loans outside India, so they could do so to expand their business.

VI. CONCLUSION

The study examined the performance of the selected banks for the period of 2013 - 2014 to 2017 - 2018. It has been observed that public sector banks performed well in banker's point of view but in the view of social work, it is considered to be better when compared to others.

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