

TRENDS IN DIRECT FINANCE OF SCHEDULED COMMERCIAL BANKS TO FARMERS ACCORDING TO SIZE OF LAND HOLDINGS - AN ANALYSIS

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B.M. RAJANIKANTH

*Research Scholar, Centre for Rural Development Studies
Bangalore University, Bangalore, India*



Dr. T.H. MURTHY

*Professor and Director, Centre for Rural Development Studies
Bangalore University, Bangalore, India*

Abstract

Land development is a crucial factor in Indian economy. Land is a one of the important factor of production and utilizes other factors very effectively in the process of production. In order to understand the need of land development in India it is very important to know the deferent sizes of land holdings by the formers in India. There are many institutional establishments to provide financial assistance for land development. The land development certainly increases the productivity of land and helps to meet the aggregate demand for food articles in Indian economy. Among the many financial institutions scheduled commercial banks play an essential role in providing financial support in terms of term loans for land development of deferent size of land holdings on India. The present study attempts to understand and examine the trends in direct finance of scheduled commercial banks to formers according to size of land holdings in India.

Keywords: *land holdings, financial assistance, aggregate demand, commercial banks, productivity of land.*

Introduction

There are larger gap in providing financial assistance for land development through scheduled commercial banks in pre and post reform period in India economy. Land developments directly help to achive sustainable agriculture and strengthen farmers over the long period of time and it also helps to make rural economy stronger. There is a changing trend in direct finance to farmers for land development of different sizes of land holdings in India. In the post-reform period direct finance provided by commercial banks has been gradually increases as compared to the pre-reform period. Through the proper policy framework it is very essential to increase direct finance for land development.

Objectives

1. To estimate the trends in direct finance to farmers according to size of land holdings in India during 1985-2012.
2. To provide policy suggestions in order to provide adequate direct finance to farmers of all types of land holdings to empower farmers and more sustainable agriculture.

Methodology

The study attempts to evaluate the trends direct finance to farmers according to size of land holdings in India during 1985-2012. The data has been collected form Hand Book of Statistics on Indian Economy from the official website of RBI. In order to analyse the data the statistical tools such as Compounded Annual Growth Rates (CAGR), linear regression with R square and parameters estimation have been used with the help of SPSS (Statistical Package for Social Sciences). The data has been presented in the form of tables and graphs.

Need for Direct Finance for Land Development in India

In order to strengthen the marginal farmers having different sizes of land holdings the banking institutions and their interference is very significant by providing direct finance in terms of loans.

Land development can increase agricultural productivity and contribute more to GDP. Due to inadequate financial assistance for land development farmers may face many problems and the goal of sustainable development of the farm sector cannot be achieved. Now in India, marginal farmers need to be strengthened, sustainable agriculture development need to achieve with adequate amount of employment and output. And it also very important to note that, the rural economy has to be strengthened by removing threats of flawed economic growths such as jobless growth, futureless growth, voiceless growth, rootless growth and ruthless growth. In this background the role of commercial banks and financial institutions are very much required for land development in modern days.

Table-1: Scheduled Commercial Banks' Direct Finance to Farmers According to Size of Land Holdings (Disbursements) Short-Term and Long-Term Loans in India

(Number of accounts in thousands; Amount in Billion)				
Year (end-June)	Up to 2.5 Acres	Above 2.5 acres to 5 Acres	Above 5 Acres	Total
	Amount	Amount	Amount	Amount
1985-86	6.17	5.89	10.37	22.43
1986-87	7.58	7.08	12.78	27.44
1987-88	8.24	7.6	13.6	29.45
1988-89	8.81	8.35	14.71	31.87
1989-90	10.33	8.9	16.07	35.3
1990-91	11.81	9.52	17.82	39.15
1991-92	11.72	10.13	18.87	40.72
1992-93	11.71	10.33	20.03	42.06
1993-94	13.12	11.76	20.7	45.58
1994-95	16.92	14.74	29.7	61.37
1995-96	20.01	19.52	37.03	76.57
1996-97	21.76	22.89	45.11	89.76
1997-98	22.88	24.13	48.27	95.28
1998-99	27.87	31.81	58.62	118.29
1999-00	33.38	34.67	72.09	140.14
2000-01	37.4	36.42	71.35	145.16
2001-02	43.52	43.71	75.78	163
2002-03	48.34	55.78	114.45	218.57
2003-04	79.53	73.4	165.92	318.85
2004-05	108.33	105.5	197.35	411.19
2005-06	168.23	176.19	326.82	671.24
2006-07	232.46	215.88	493.35	941.69
2007-08	253.52	232.15	481.4	967.07
2008-09	342.67	332.8	727.53	1403
2009-10	426.26	443.31	730.61	1600.18
2010-11	460.19	574.36	854.55	1889.1
2011-12	897.14	829.19	990.37	2716.7
CAGR (Compounded Annual Growth Rate)	20.25%	20.10%	18.39%	19.44%

The table-1 shows Scheduled Commercial Banks' direct finance to farmers according to size of land holdings (disbursements) short-term and long-term loans in India. During the observed period of time the amount of loans provided to the farmers having upto 2 acres of land was increased by 20.25 percent (CAGR), having land holdings between 2 and 5 acres was increased by 20.10 percent and having more than 5 acres of land holdings was also increased by 18.39 percent. The total amount of loan provided to all types of land holdings was increased by 19.444 percent. It shows a positive trend in loan disbursement to the farmers of land holdings.

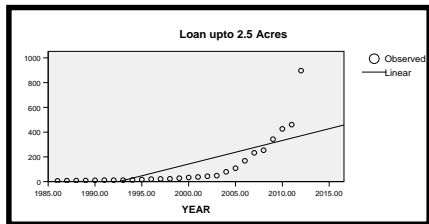
Source: Reserve Bank of India.

Table-1: Model Summary and Parameter Estimates: Dependent Variable: Loan upto 2.5 Acres

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.549	30.378	1	25	.000	-37891.829	19.017

The independent variable is YEAR.

Graph-1: Trends in Scheduled Commercial Banks' Direct Finance to Farmers having 2.5 Acres of Land Holdings in India:



The trends in scheduled commercial banks' direct finance to farmers having 2.5 acres of land holdings in India for the period 1985 -2012 have been worked out and the result are presented in table-1 and graph-1. It is estimated that the scheduled commercial banks' direct finance to farmers having 2.5 acres of land holdings in India was to the tune of 19.017 per cent. Also the growth was found to be highly significant ($F=30.378$) with R square value 0.549. This

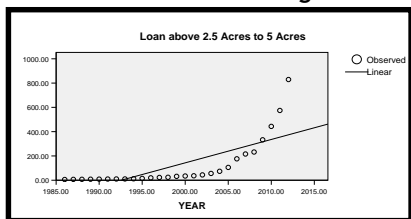
implies that the trends in scheduled commercial banks' direct finance to farmers having 2.5 acres of land holdings in India have been making continuous efforts to increase over the period of time.

Table-2: Model Summary and Parameter Estimates Dependent Variable: Loan above 2.5 Acres to 5 Acres

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.567	32.798	1	25	.000	-38347.268	19.245

The independent variable is YEAR.

Graph-2: Trends in Scheduled Commercial Banks' Direct Finance to Farmers having between 2.5 Acres to 5 Acres of Land Holdings in India:



The trends in scheduled commercial banks' direct finance to farmers having between 2.5 acres and 5 Acres of land holdings in India for the period 1985 -2012 have been worked out and the result are presented in table-2 and graph-2. It is estimated that the scheduled commercial banks' direct finance to farmers having between 2.5 acres and 5 Acres of land holdings in India was to the tune of 19.245 per cent. Also

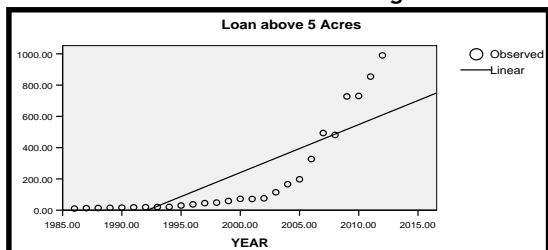
the growth was found to be highly significant ($F=32.798$) with R square value 0.567. This implies that the trends in scheduled commercial banks' direct finance to farmers having between 2.5 acres and 5 Acres of land holdings in India have been making continuous efforts to increase over the period of time.

Table-3: Model Summary and Parameter Estimates: Dependent Variable: Loan above 5 Acres

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.680	53.003	1	25	.000	-61207.535	30.724

The independent variable is YEAR.

Graph-3: Trends in Scheduled Commercial Banks' Direct Finance to Farmers having above 5 Acres of Land Holdings in India:



The trends in scheduled commercial banks' direct finance to farmers having 5 acres of land holdings in India for the period 1985 -2012 have been worked out and the result are presented in table-3 and graph-3. It is estimated that the scheduled commercial banks' direct finance to farmers having 5 acres of land holdings in India was to the tune of 30.724 per cent. Also

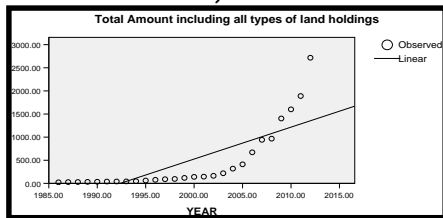
the growth was found to be highly significant ($F=53.003$) with R square value 0.680. This implies that the trends in scheduled commercial banks' direct finance to farmers having 5 acres of land holdings in India have been making continuous efforts to increase over the period of time.

Table-4: Model Summary and Parameter Estimates: Dependent Variable: Total Amount including all Types of Land Holdings

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.621	41.008	1	25	.000	-137446.498	68.986

The independent variable is Year.

Graph-4: Trends in Scheduled Commercial Banks' Direct Finance to Farmers having including upto 2 Acres, above 2.5 Acres to 5 Acres and above 5 Acres of Land Holdings in India:



The trends in scheduled commercial banks' direct finance to farmers having all three types (upto 2 Acres, above 2.5 Acres to 5 Acres and above 5 Acres) land holdings in India for the period 1985 -2012 have been worked out and the result are presented in table-3 and graph-3. It is estimated that the scheduled commercial banks' direct finance to farmers having all three types of land holdings in India was to the tune of 68.986 per cent. Also the growth was found to be highly significant ($F=41.008$) with R square value 0.621. This implies that the trends in scheduled commercial banks' direct finance to farmers having all three types (upto 2 Acres, above 2.5 Acres to 5 Acres and above 5 Acres) of land holdings in India have been making continuous efforts to increase over the period of time.

Findings

1. It is estimated that the scheduled commercial banks' direct finance growth was found to be highly significant and implies that the trends in scheduled commercial banks' direct finance to farmers having 2.5 acres of land holdings in India have been making continuous efforts to increase over the period of time.
2. The growth was found to be highly significant that the trends in scheduled commercial banks' direct finance to farmers having between 2.5 acres and 5 Acres of land holdings in India have been making continuous efforts to increase over the period of time.
3. The trends in scheduled commercial banks' direct finance to farmers having 5 acres of land holdings in India have been making continuous efforts to increase over the period of time.
4. The trends scheduled commercial banks' direct finance to farmers having all three types (upto 2 Acres, above 2.5 Acres to 5 Acres and above 5 Acres) of land holdings in India have been making continuous efforts to increase over the period of time.

Conclusion

As the study observed there is a positive trend in the loan or direct finance provided to farmers of different sizes of land holding during the 27 years form 1985-86 to 2011-12. But it is not enough to proper land development in India. The study recommends that the commercial banks have to provide adequate loans to the farmers to land developments. A separate budget has to be formulated to strengthen the rural agricultural sector in order to reduce migration, increase employment and output. Extended loan disbursement could certainly helps the farmers and to achieve the sustainable development.

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