

CREDIT DELIVERY AND PERFORMANCE OF HARYANA GRAMIN BANK IN FINANCING AGRICULTURE

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INTRODUCTION

Inception of regional rural banks (RRBs) can be seen as a unique experiment as well as experience in improving the efficacy of rural credit delivery mechanism in India. Regional Rural Banks have in existence for more than three decades in India have taken deep roots and have become a sort of inseparable part of the rural credit structure. The Regional Rural Banks were established to evolve as specialized rural financial institutions for developing the rural economy by providing credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. They have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach and business volume as also contribution to development of the rural economy.³

On 2nd Oct 1975, five RRBs were set up at different parts of the country. The issued capital of RRBs is shared by Central Govt., Sponsor bank and State Govt. in the proportion of 50, 35 and 15 percent, respectively. The area of operation of a majority of the RRBs is limited to a notified area. As on March 31, 2006, RRBs are operating with a network of 14494 branches in 26 states covering 525 districts out of 605 districts in India. The RRBs enjoy special concessions from Reserve Bank of India i.e. like CSR (3%), SLR (25%), lower rate of interest on loans taken from sponsoring banks, managerial and staff assistance from the sponsoring bank and reimbursement of the expenses on staff training.

In Haryana state, the earlier RRBs known as Haryana Kshetriya Gramin Bank, H.O. Bhiwani, Hisar-Sirsa Kshetriya Gramin Bank, H.O. Hisar and Ambala-Kurukshetra Gramin Bank, H.O. Ambala City and were set up with the objectives to take the banking to rural masses particularly unbanked rural areas to make available institutional credit to weaker sections of the society, to mobilize rural saving and channelise them for supporting productive activities in the rural areas.

On 21st December, 2005 as per Govt. of India, notification, all three RRBs were amalgamated and a new entity called Haryana Gramin Bank (HGB) with its head office at

Rohtak came into existence. The Haryana Gramin Bank has a network of 183 branches spread over 16 districts of its operation. Keeping in view the role of bank, the present study was conducted with framed objectives i) to study the credit delivery system of Haryana Gramin Bank, ii) to examine the performance of Haryana Gramin Bank in terms of deposit mobilization, loan advances, recovery and overdues and iii) to analyze the borrowing pattern, loan demanded, loan advanced, gap and extent of loan diversion of different categories of the farmers.

METHODOLOGY

The present study was based on multi-stage random sampling technique. The Hisar and Ambala Districts were selected randomly from Western and Eastern zones of Haryana where Haryana Gramin bank is in operation. One branch from each district i.e. Neoli Kalan Branch in Hisar (22 branches) and Patvi Branch in Ambala (9 branches) were selected randomly. Two villages from operational area of each selected branch were selected randomly and finally 60 farmers from feeding villages of each selected branch were selected randomly. The information was collected from both selected branches and farmers with the help of well-structured interview schedule during the year 2007-08. Selected respondents were classified as marginal (<1 ha.), small (1-2 ha.), medium (2-4 ha.) and large farmers (>4 ha.) based on their size of operational holding. The secondary information i.e. number of branches, amount of loan advanced, loan distribution pattern, amount of deposit, loan outstanding, recovery of loan, overdues etc. were scanned from published sources. The appropriate statistical tools such as averages, percentages, chi-square test, simple linear regression and compound growth rates (CGR) were employed for the present study.

RESULTS AND DISCUSSION

Haryana Gramin Bank is sponsored by Punjab National Bank and the area of its amalgamated structure is in the districts Bhiwani, Hisar, Jhajjar, Mahendergarh, Rewari, Rohtak, Fatehabad, Sirsa, Ambala, Karnal, Kaithal, Kurukshetra, Panchkula, Yamuna Nagar, Jind and Panipat. The study area is predominantly rural areas where the majority of the people depend on agriculture for their livelihood. The major crops grown like wheat, cotton, mustard, bajra and guar in Hisar and in Ambala, major crop grown like paddy, wheat, sugarcane, sunflower, onion and potato. Credit has been considered not

only as a key input to agriculture but also as an effective means to economic transformation

Credit Delivery system

Haryana Gramin Bank was set up with the purpose of facilitating the promotion of rural business in state. The Punjab National Bank, State and Central Govt. are sources of finance for Gramin Bank. RRBs provide credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. The bank provides credit directly to people in rural area on short/crop loan, medium and long terms through 183 branches located in sixteen districts of state. The bank also made available credit through Kisan Credit card. Self Help groups and Kisan Club in operational area of each branch of the bank were formed, financed and technical help provided to strengthen them for enhancing income of rural people. The officials of bank are in direct contact with people to make timely and adequate amount of credit. The amount of subsidy of central and State Govt. along with loan advancement is also provided the privileged section of society through various branches of bank.

Deposits and loan advanced

There is steady increase in the deposits as well as advanced made by the bank in the study area. In Hisar, the deposits and loan advanced were Rs. 23.76 and Rs.17.35 crores in 1993-94 increased to Rs. 299.00 and Rs.306.45 crores in 2007-08, respectively (Table 1). The proportion of loan advanced increased from 73.04 to 104.39 percent in the study period. The growth rates of deposits and loan advanced exhibited an increase of 18.98 and 23.07 percent per annum, respectively.

The deposits collected by the bank in Ambala district increased from Rs. 20.64 to Rs. 264.63 crores in time period of fifteen years. The loan advanced to beneficiaries also increased manifold in the same period i.e. Rs.10.79 to Rs.219.15 crores. The share of loan advanced to deposits also showed tremendous increase (52.30% to 83.15%). The growth rates of deposits and loan advanced exhibited an increase of 17.82 and 21.94 percent per annum, respectively.

The increase in deposits was more than twelve times in Hisar and Ambala in the study period as result of deposit mobilization in rural area. The loan advanced showed increased more than seventeen times in Hisar and twenty times in Ambala to cater credit needs of the farmers due to adoption improved production technology (purchase of

Table-1: Deposits and Loan advanced of Haryana Gramin Bank**(Rs. in crores)**

Year	Hisar district		Ambala district		Loan advanced to deposits in percentage	
	Deposits	Loan Advanced	Deposits	Loan Advanced	Hisar	Ambala
1993-94	23.76	17.35	20.64	10.79	73.04	52.30
1994-95	30.52	21.75	32.42	16.43	71.25	50.69
1995-96	39.86	29.27	42.76	25.15	73.43	58.82
1996-97	50.35	33.22	55.18	34.74	65.97	62.95
1997-98	62.50	40.25	68.31	42.19	64.39	61.75
1998-99	70.05	47.64	84.08	55.06	68.00	65.48
1999-00	86.77	60.71	90.13	60.20	69.96	66.78
2000-01	108.71	76.18	105.40	67.55	70.07	64.08
2001-02	120.06	95.25	121.02	80.51	79.33	66.52
2002-03	138.59	111.00	133.89	93.32	80.09	69.69
2003-04	160.89	133.98	144.72	106.55	83.27	73.62
2004-05	184.73	196.27	174.27	147.86	106.25	84.84
2005-06	220.16	237.75	209.75	174.69	107.98	83.28
2006-07	252.21	251.54	241.64	195.15	99.73	80.76
2007-08	299.00	306.45	263.53	219.15	102.49	83.15
CGR (%)	18.98	23.07	17.82	21.94		

machinery & implements and purchase of modern inputs). At the initial period, the amount of deposit was higher than loan advanced in study area but at later period loan amount exceeded the deposit due to increasing demand of credit for the use of improved production technology and policies of Govt. of India. A huge of deposits is available with bank through mobilization of deposit and awareness programmes in the rural areas.

Recovery of Loan

In Hisar district, the loan outstanding over the year has been increasing continuously. The total amount recovered from borrowers was Rs. 9.76 crores accounting 80 percent of loan outstanding in the year 1993-94 increased to Rs.235.71 crores constituting 91 percent of total loan outstanding in the year 2007-08 (Table 2). The overdues also increased from Rs.2.14 to Rs. 18.04 cores but it is not significant share of the loan outstanding. The CGR of Loan recovery and overdues indicated an increase of 27.05 and 19.37 percent per annum, respectively.

In Ambala district, the loan outstanding over the year has been increasing continuously. The total amount recovered from borrowers was Rs.7.02 crores accounting 72 percent of loan outstanding in the year 1993-94 increased to Rs.349.93 crores constituting 91 percent of total loan outstanding in the year 2007-08 (Table 2).

Table 2: Loan outstanding, loan recovered and overdues of Haryana Gramin Bank**(Rs. in crores)**

Year	Hisar district			Ambala district			Recovery Percentage	
	Loan Outstanding	Loan recovered	Overdues	Loan Outstanding	Loan recovered	Overdues	Hisar	Ambala
1993-94	11.90	9.76	2.14	9.04	7.02	2.02	80	72
1994-95	12.71	10.80	1.91	9.33	7.13	2.19	83	72
1995-96	13.81	11.92	1.89	10.12	7.17	2.35	84	73
1996-97	16.28	13.72	2.56	13.54	11.10	2.44	82	78
1997-98	19.00	16.59	2.40	13.89	11.52	2.38	85	79
1998-99	23.16	20.15	3.01	17.41	14.50	2.91	85	79
1999-00	31.65	27.52	4.13	22.39	18.56	3.83	85	79
2000-01	42.88	38.28	4.60	29.43	24.36	5.07	87	78
2001-02	50.14	45.42	4.72	37.60	31.60	6.00	89	79
2002-03	60.24	52.72	7.52	56.25	49.38	6.87	87	84
2003-04	85.66	75.66	10.00	70.95	61.43	9.52	88	84
2004-05	104.23	95.39	8.84	87.23	76.19	11.04	88	87
2005-06	142.24	129.44	12.80	102.14	90.17	11.97	89	88
2006-07	239.30	219.96	19.34	227.95	204.86	23.09	90	90
2007-08	253.75	235.71	18.04	382.05	349.93	32.12	91	91
CGR%	26.13	27.05	19.37	29.39	31.13	21.17		

The overdues also increased from Rs.2.02 to Rs. 32.12 cores but it is not significant share of the loan outstanding. The amount of loan recovered and overdues exhibited growth rate of 31.13 and 21.17 percent, respectively. The proportion of recovery to loan outstanding was higher in Hisar district as compared to Ambala district. The increase in recovery of loan advanced was due to better management practices adopted, better assessment of borrower at time of loan advancement, purpose specific credit, strict supervision and inspection of credit utilization. The continuous increase in loan recovery indicates healthy sign of performance of the bank in the study area. The trained and competent staff of bank has made remarkable progress in term of deposits and recovery of loan outstanding

Operational Land Holding, Family Size and Literacy in Study Area

The average size of operational land holding of different categories of farms in Hisar and Ambala districts were 2.79 and 3.04 ha., respectively (Table 3). The Marginal, small, medium and large farmers having an average operational land holding was 1.17, 1.58, 3.17 and 6.38 ha. in Hisar district, respectively. The same figures in Ambala district were 1.41,

Table 3: Average operational land holding, family size and literacy of different categories of farms

Category	Hisar district	Ambala district	Hisar district	Ambala district	Hisar district		Ambala district	
	TOH (ha.)	TOH (ha.)	Family size (no.)	Family size (no.)	Illiterate (no.)	Literate (no.)	Illiterate (no.)	Literate (no.)
Marginal (upto 1 ha.)	1.17	1.41	5.90	6.80	4 (40.00)	6 (60.00)	3 (42.86)	4 (57.14)
Small (1-2 ha.)	1.58	2.09	5.60	7.60	7 (38.89)	11 (61.11)	5 (21.74)	18 (78.26)
Medium (2-4 ha.)	3.17	3.17	6.10	7.60	8 (33.33)	16 (66.67)	8 (40.00)	12 (60.00)
Large (above 4 ha.)	6.38	6.12	6.70	10.90	4 (50.00)	4 (50.00)	4 (40.00)	6 (60.00)
Total	12.30	12.79						
Overall	2.79	3.04						
Chi-square (cal.)			65.26*	73.64*	9.56**	11.88**		

TOH means total operational holding

Chi-square tab. value at 0.05 of significance level at 3 df =12.59*

Chi-square tab. value at 0.05 of significance level at 3 df =7.82**

Figures in parenthesis indicate percentage of total respondents

2.09, 3.17 and 6.12 ha. The farmer-borrowers were literate more than fifty percent in Hisar while illiterate respondents in Ambala were less 42 percent. The value of chi-square test reveals that there was a significant association between land holding categories and educational status of farmer-borrowers. The significant association between land holding categories and family size of farmer-borrowers in both districts was observed as the chi-square test indicated.

Scale of Finance

The scale of finance by bank for major crops i.e. cotton and wheat in Hisar district was Rs.9000 and Rs.12000, respectively in the year 2007-08. The bank advanced loan per acre for crops like paddy, wheat, potato, sunflower, sugarcane and onion were Rs. 14830, Rs.12100, Rs.21500, Rs.10000, Rs. 21000 and Rs. 20000, respectively..

Amount Demanded and Loan Advanced In the Study Area

The bank advanced loan for the purchase of inputs used in crop production, livestock and farm implements & tractor to enhance income of resource-poor farmers. In case of crop loan in Hisar distinct, overall the bank loan advanced was 91.79 percent of money demanded with gap of 8.21 percent and diverted 9.20 percent of loan advanced

towards non-productive purposes (Table 4). In case of livestock loan, overall bank loan advanced was 83.03 percent of loan demanded with a gap of 16.91 percent of loan demanded and diverted 7.78 percent of loan advanced towards other purposes. In Farm implements and tractor loan, on average farmers got 83.44 percent of loan demanded with a gap of 16.56 percent and loan diversion was 3.36 percent.

For crop loan, on average the farmers got more than 89 percent of loan demanded and share of loan advanced diverted towards non-productive purposes was 8.67 percent in Ambala district (Table 4). The bank advanced loan more than 87 percent of total loan demanded for purchase of livestock with a gap of 12.50 percent and amount diverted 7.78 percent of loan advanced to meet needs of non-productive purposes. The borrowers got an amount of 84.46 percent of total loan demanded for purchase of farm implements and tractor. The proportion of total loan demanded by the farmers not made available was 15.54 percent. Moreover the farmers diverted a small share of loan advanced towards non-productive purposes. But there is no credit demanded for purchase of livestock on medium and large farms in the study area. There is urgent need of adequate amount loan demanded for agriculture.

Diversion of Agriculture Loans

The bank advanced loan to the farmers for crop production, purchase of livestock, farm implements and tractors. But out of total loan advanced for agriculture, farmers used certain amount of that loan to meet their consumption needs like purchase of edible products, celebration of social ceremonies, repair and construction of house as well as repayment of old loans. The out of total loan diversion in Hisar district, 42 thousands in marginal category, 17 thousands (40.48%) were diverted in social ceremonies, 12 thousands (30.95 %) in repayment of old loan, 5 thousands (11.90 percent) were diverted in purchase of grains and other edible products, 4 thousands (9.53 %) in construction and repair of house and 3 thousands (7.14 %) were diverted in other purposes (Table 5). In Small category out of total diversion 158 thousands, 81 thousands (51.26 %) were diverted in social ceremonies, 26 thousands (16.45%) in repayment of old loan, 16 thousands (10.14 %) were diverted in purchase of grains and other edible products, 23 thousands (14.56 %) in construction and repair of house and 612thousands (7.59 %) were diverted in others. Similarly in medium category out of total diversion 519 thousands, 312 thousands (60.11 %) were in social ceremonies, 112 thousands (21.58 %) in repayment of old loan, 15 thousands (2.89 %) were diverted in purchase of grains and other edible products, 63 thousands (12.14 %) in construction and repair of house and 17 thousands (3.28 %) were diverted in others purposes. In large category out of total diversion

486 thousands, 334 thousands (68.72 %) were in social ceremonies, 122 thousands (25.10 %) in repayment of old loan, 30 thousands (6.18 %) in construction and repair of house purposes.

Out of total loan diversion in Ambala district, 34 thousands in marginal category, 18 thousands (52.94 %) were diverted in social ceremonies, 7 thousands (20.59 %) in repayment of old loan, 4 thousands (11.76 %) were diverted in purchase of grains and other edible products, 2 thousands (5.88 %) in construction and repair of house and 3 thousands (8.83 %) were diverted in others. Similarly, in small category out of total diversion 242 thousands, 152 thousands (62.82 %) were diverted in social ceremonies, 38 thousands (15.70 %) in repayment of old loan, 35 thousands (14.46 %) were diverted in purchase of grains and other edible products, 11 thousands (4.54 %) in construction and repair of house and 6 thousands (2.48 %) were diverted in others. In medium category out of total diversion 387 thousands, 209 thousands (54.01 %) were in social ceremonies, 128 thousands (33.07 %) in repayment of old loan, 17 thousands (4.39 %) were diverted in purchase of grain and other edible products, 24 thousands (6.21 %) in construction and repair of house and 9 thousands (2.32 %) were diverted in others. Similarly in large category out of total diversion 617 thousands, 396 thousands (64.18 %) were diverted in social ceremonies, 187 thousands (30.31 %) in repayment of old loan, 34 thousands (5.51 %) in construction and repair of house. Strict supervision is necessary to avoid the diversion of loan advanced for specific purposes and banks should provide loan for consumptional purposes.

CONCLUSIONS AND POLICY IMPLICATIONS

The results concluded that deposits and loan advanced of Haryana Gramin bank has continuously increasing over the period in the study area. The bank has highest deposits and loan advanced in Hisar as compared to Ambala. The CGR of deposits and loan advanced in both districts exhibited positive sign. The recovery of loan advanced showed increasing trend as result of enhanced income of farmer-borrowers, use of credit for income generating enterprises, better assessment of borrowers at the time of credit advancement. The recovery of loan outstanding reached up to 91 percent in the year 2007-08 in the study area. The higher percentage of loan recovery indicates better performance of bank. The value of chi-square test indicates significant association between land holding categories and educational status of farmer-borrowers. In case of crop loan, the bank advanced loan 91.79 and 89.06 percent of total credit demanded in Hisar and Ambala districts. While these figures were 83.303 and 87.50 percent of total demanded in case of livestock. The certain amount of loan advanced for purchase of inputs used in crop production, animals and farm implements &

tractors was diverted towards, celebration of social ceremonies, repayment of loans, purchase of grains & edible products, construction of houses & its repair on all categories of farms. The banks should advance the adequate amount of loan for productive purposes and repayment of loan should be linked with income of borrower. The consumption loan should be advanced to the farmers to avoid the diversion of loan advanced for agriculture and allied activities.

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Table 4: Pattern of borrowing, amount demanded, loan advanced and diversion of loan advanced of Haryana Gramin Bank
(Rs. in thousands)

Category	Crop Loan			Diversion Of Loan Advanced	Livestock Loan			Diversion Of Loan Advanced	Farm implements & Tractor Loan			Diversion Of Loan Advanced
	Loan Demand	Loan Advanced	Gap		Loan Demand	Loan Advanced	Gap		Loan Demand	Loan Advanced	Gap	
Hisar (Neoli Kalan branch)												
Marginal	455 (100)	430 (94.50)	25 (5.50)	35 (8.14)	110 (100)	92 (83.64)	18 (16.36)	7 (7.61)	—	—	—	—
Small	1755 (100)	1632 (92.99)	123 (7.01)	131 (8.03)	91 (100)	75 (82.42)	16 (17.58)	6 (8.00)	850 (100)	700 (82.35)	150 (17.65)	21 (3)
Medium	5606 (100)	5292 (94.40)	314 (5.60)	476 (8.99)	—	—	—	—	1750 (100)	1425 (81.42)	325 (18.58)	43 (3)
Large	4991 (100)	4402 (88.20)	589 (11.80)	440 (9.99)	—	—	—	—	1325 (100)	1150 (86.79)	175 (13.21)	46 (4)
Total	12807 (100)	11756 (91.79)	1051 (8.21)	1082 (9.20)	201 (100)	167 (83.08)	34 (16.91)	13 (7.78)	3925 (100)	3275 (83.44)	650 (16.56)	110 (3.36)
Ambala (Patvi branch)												
Marginal	382 (100)	359 (93.98)	23 (6.02)	28 (7.79)	97 (100)	83 (85.57)	14 (14.43)	6 (7)	—	—	—	—
Small	2829 (100)	2583 (91.30)	246 (8.70)	206 (7.97)	135 (100)	120 (88.89)	15 (11.11)	10 (8)	975 (100)	835 (85.64)	140 (14.36)	26 (3.11)
Medium	4624 (100)	4174 (90.27)	450 (9.73)	334 (8.00)	—	—	—	—	2075 (100)	1750 (84.34)	325 (15.66)	53 (3.03)
Large	6860 (100)	5971 (87.04)	889 (12.96)	567 (9.49)	—	—	—	—	1485 (100)	1245 (83.84)	240 (16.16)	50 (4.02)
Total	14695 (100)	13087 (89.06)	1608 (10.94)	1135 (8.67)	232 (100)	203 (87.50)	29 (12.50)	16 (7.88)	4535 (100)	3830 (84.46)	705 (15.54)	129 (3.37)

Figures in parenthesis indicate percentage

Table 5: Diversion of agricultural loans loan for consumptional purposes of Haryana Gramin Bank

(Rs. in thousands)

Category	Diversion of loan from				Diversion of Loan towards				
	Crop Loan	Livestock Loan	Farm Implements & Tractor Loan	Total	Social Ceremonies	Repayment of old loan	Purchase of Grains and other Edible Products	Construction and repair of house	Others
Hisar (Noël Kalan)									
Marginal	35	7	-	42 (100)	17 (40.48)	12 (30.95)	5 (11.90)	4 (9.53)	3 (7.14)
Small	131	6	21	158 (100)	81 (51.26)	26 (16.45)	16 (10.14)	23 (14.56)	12 (7.59)
Medium	476	-	43	519 (100)	312 (60.11)	112 (21.58)	15 (2.89)	63 (12.14)	17 (3.28)
Large	440	-	46	486 (100)	334 (68.72)	122 (25.10)	-	30 (6.18)	-
Ambala (Patvi)									
Marginal	28	6	-	34 (100)	18 (52.94)	7 (20.59)	4 (11.76)	2 (5.88)	3 (8.83)
Small	206	10	26	242 (100)	152 (62.82)	38 (15.70)	35 (14.46)	11 (4.54)	6 (2.48)
Medium	334	-	53	387 (100)	209 (54.01)	128 (33.07)	17 (4.39)	24 (6.21)	9 (2.32)
Large	567	-	50	617 (100)	396 (64.18)	187 (30.31)	-	34 (5.51)	-

Figures in parenthesis indicate percentage of divers