



## Agricultural Credit: A Comparative Study of Co-operatives Societies and Regional Rural Banks

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### ABSTRACT

Before independence, the lending process was very difficult and farmers were physically and mentally exploited. Co-operative societies and regional rural banks were formed to improve the condition of farmers and lend to cheap loans. The objective of present study is to compare co-operative societies and regional rural banks in terms of two factors viz. credit flow and number of branches opening. It investigates the factors those responsible for improvement of co-operative societies. The study also aims to give suggestion on how to improve lending amount of co-operative societies and regional rural banks.

**Keywords--** Co-operative Societies, Regional Rural Banks, Comparison, Investment

categories- rural co-operative societies and urban co-operatives societies, (Bankexamtoday.com). Rural co-operative societies were set so that the poor farmers living in the village could get the loan at cheaper rate of interest which was necessary for agricultural work. Urban co-operatives though not formally defined, refers to primary co-operatives banks located in urban and semi-urban areas. These societies are based on the principles of co-operation, mutual help, democratic decision making and open membership. These societies were established to lend money only for non-agricultural purposes (rbi.org.in).

### Regional Rural Banks

Regional rural banks were established under the recommendations given by the Narasiman committee in 1975. The share of Central government 50%, state government 15 % and sponsor banks 35 % share in regional rural banks (bankexamstudy.com). These banks were basically established for providing loan to rural people, along this carried out government operations like disbursement of wages of MGNREGA, distribution of pension and providing para banking facilities like debt card, credit card, locker facilities.

This study will provide information in the context of comparison of co-operatives societies and regional rural banks. In this two mediums of banks have been used for comparison like opening new branches and credit flow.

## I. INTRODUCTION

India is a country whose about 2/3 of population depend on agriculture and 50 % national income is contributed by the farmers. Even agriculture has contributed so much; no action has been take to improve the condition of this sector nor was any work done to increase the farmers credit requirement, to uplift the farmers. They did not meet the required amount of borrowing at the right time, right amount and at low rate of interest that they wanted. In 1904, co-operative societies were formed under co-operative movement and in 1975; regional rural banks were formed under the recommendation of Narasiman committee to fulfill this objective.

### Co-operative Societies

Hermann Schulze and Friedrich Whilhelm Raifferisen suggested opening co-operative societies in India. Following his suggestion co-operative societies were set up in India 1904 under the co-operative society act 1904. Co-operative societies are divided into two broad

## II. REVIEW OF LITERATURE

**K.Venkatatakshmi** – investigated the current position of regional rural banks in India. This paper is based on secondary data. The main objective of this paper was to study capital structure of regional rural banks. Along with this, the deposit and outstanding loan of these banks had to be studied. In this researcher found that owned fund ratio declined 47.65 % to 9.50 % over the period of study. Secondly, as the number of borrowers

increased, the amount of borrowing increased rapidly. So that banks need more capital for fulfill the borrowing requirement of borrowers.

**Mr. Vivak Srivastava (2015)** conducted a study on performance analysis of Indian banks- A comparative study of selected banking. This study basically based on secondary data. The main objective of this study was to examine the performance of all banks. In this paper researcher divided banks into private and public sector. According to him private sector increased their assets, profitability, income, advances, investment and deposits more as compare to public sector. For this government and RBI will need to make policies and programme for betterment of public sectors banks.

**Jatin Yadav (2017)** studied comparative study of institutional credit VS non- institutional credit for agricultural finance in India. This study based on primary as well as secondary data. In this researcher found two types of financial sources for agricultural credit. According to him farmers have taken more agricultural credit from institutional source because their rate of interest very low, availability of government subsidies, provide long term loan and light recovery process as compared to non-institutional credit source.

**A.Jaiswal (2016)** conducted a comparative study of financial performance of SBI and ICICI banks in India. This study mainly focused on secondary data. According to him the performance of SBI much better than ICICI in term of market condition, earning performance, price ratio per share, dividend payout ratio. On the other hand the performance of ICICI much better than SBI in the provision of NPA.

**Abhay Kumar Kapre (2013)** conducted study on comparative study of regional rural banks in Chhattisgarh state. This study based on secondary data. According to him regional rural banks were not properly developed in Chhattisgarh because of overdue, recovery rate, non performing assets and other problems. Regional rural banks were established in Chhattisgarh only for providing rural assistance and for growth with social justice.

**Kanika Nancy (2013)** examines the financial performance evaluation of regional rural banks in India. This study based on secondary data. According to her regional rural banks were established for rural areas and provided agricultural credit to rural people at low rate of interest. Along with this regional rural bank encouraged rural saving, generate employment, reduce cost of credit and eliminated dependence on private credit.

### III. OBJECTIVES OF CURRENT STUDY

- (1) To study the number of branches of co-operatives societies and regional rural banks.
- (2) To study the growth of credit flow in agriculture sector by co-operative societies and regional rural banks.
- (3) To find investment of co-operative societies and regional rural banks.

### IV. RESEARCH METHODOLOGY

The study data pertains to co-operative societies and regional rural banks. To write this paper various types of secondary data have been included in it, such as research papers, articles, books and websites. The explanatory method of data analysis is used for analysis of this paper.

### V. SCOPE OF STUDY

Nowadays India's banking system has become very flexible. The main reason for that is the inclusion of some private banks in banking system. Therefore, co-operatives societies and regional rural banks were not able to protect themselves. Unfortunately minimum government incentives, sound policies, sick recovery system and less government support discourage to Indian banking system. The scope of this research paper was how to increase the functioning of co-operative societies and regional rural banks. This study only tries to fill the gap to some extent.

**Table 1:** Comparative table of co-operatives societies and regional rural banks on the basis of number of branches

Years	Co-operatives Societies	% Change	Regional Rural Banks	% Change
2009-10	89523	-	15303	-
2010-11	90279	0.83	15658	2.26
2011-12	101297	10.85	16170	3.06
2012-13	90958	-11.36	17856	6.41
2013-14	93042	2.23	19082	6.42

2014-15	92789	-0.27	20024	4.70
2015-16	93367	0.61	20059	0.17
2016-17	95595	2.33	20920	4.11

**Source-** Primary agricultural credit societies report (2017-18), NABARD Annual report (2005-2017)

Table 1 shows the numbers of branches opened by co-operative societies and regional rural banks and their percentage change from based year 2009-10 to 2016-17. It was cleared that number of branches of co-operative societies were increased from 89523 to 95595 during 2009-10 to 2016-17. On the other hand regional rural banks branches were increased 15303 to 20920 during 2009-10 to 2016-17. The maximum changes (10.85) were

recorded in the 2011-12 and the minimum changes (-11.36) were recorded in the 2012-13 in the case of co-operatives societies. The maximum changes (6.42) were recorded in the 2013-14 and the minimum changes (-0.17) were recorded in the 2015-16 in the case of co-operatives societies. The ratios of branches opened were varied during the study period.

**Table 2:** Comparative table of co-operatives societies and regional rural banks on the basis of credit flow in agriculture sector

Year	Amount by Co-operative Societies	% Change	Amount by Regional Rural Bank	% Change
2009-10	63497	-	35217	-
2010-11	78007	18.60	44293	20.49
2011-12	87963	11.31	54450	18.65
2012-13	111203	20.89	63681	14.49
2013-14	119964	7.30	82653	22.95
2014-15	138469	13.36	102483	19.34
2015-16	153295	9.67	119260	14.06
2016-17	142758	-7.38	123216	3.21

**Source-** NABARD annual report (2017-18)

Table-2 shows credit flow of co-operatives societies and regional rural banks from 2009-10 to 2016-17. Along with this It was also analyzed how much percentage of credit flow has increased and what percentage reduce. In 2009-10 credit flow of co-operative societies were 63497 and reached at 142758 in 2016-17. But in 2009-10 credit flow of regional rural banks were 35217 and reached at 123216 in 2016-17. The maximum credit flow (20.89 %) were recorded in the 2012-13 and the minimum credit flow (-7.38 %) were recorded in the 2016-17 in the case of co-operatives societies. The maximum credit flow (22.95 %) was recorded in the 2013-14 and the minimum credit flow (3.21 %) was recorded in the 2016-17 in the case of regional rural banks.

## VI. LIMITATION OF STUDY

(1) This study only focused on credit flow and investment rather than other factors.

(2) This study only covered specified year of 2009 to 2017.

(3) This study not focused on a particular region, state or district.

(4) This study only based to secondary data, therefore we could not find proper financial figures.

## VII. CONCLUSIONS

From the comparative analysis of co-operative societies and regional rural banks, it is clear that co-operative societies were opened more branches as compare to regional rural banks. According to comparative analysis, it has been observed that co-operatives have nearly 70 percent higher in this branches compared to regional rural banks. On the other hand, the credit flow in agriculture by co-operative societies more than regional rural banks is not too much higher as compared to number of branches opened. In 2016-17 co-operative societies credit flow nearly 3 percent more than regional rural banks. It is

ensured that in the financial position of regional rural banks is growing faster than that of co-operative societies.

### **SUGGESTIONS AND RECOMMENDATIONS**

1. Regional rural banks should try to open new branches to increase deposit.
2. Some assistance should be given to regional rural banks by the government to open more branches.
3. Rural banks should develop and expand their business in urban areas also.
4. Co-operative societies need to focus more on lending rather than opening their branches.
5. Government should provide financial support to increase their credit flow in other sectors too.

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